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A DECENT PLACE TO LIVE: THE FLORIDA PERSPECTIVE

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND URBAN AFFAIRS

OF THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

THE REPORT OF THE NATIONAL HOUSING TASK FORCE AND THE REPORT OF THE AFFORDABLE HOUSING STUDY COMMISSION

MAY 4, 1988—ST. PETERSBURG, FL

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A DECENT PLACE TO LIVE: THE FLORIDA PERSPECTIVE

WEDNESDAY, MAY 4, 1988

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS,
St. Petersburg, FL.

The committee met, pursuant to notice, at 10:30 a.m., in the city council chambers, 175 Fifth Ave. North, St. Petersburg, FL, Senator Bob Graham presiding.

Present: Senator Bob Graham, Robert Ulrich, mayor of St. Petersburg.

OPENING STATEMENT OF SENATOR GRAHAM

Senator GRAHAM. I am pleased to welcome all of you this morning. This is a meeting of the Senate Committee on Banking, Housing, and Urban Affairs, the committee which has jurisdiction over national housing programs from the perspective of the U.S. Senate.

This committee is holding hearings across the Nation in the next several weeks, in order to gain the insight, impressions, and comments from leaders in the communities of America as to where America should be going with its housing programs.

I had hoped that we would be joined today by Congressman Young. Unfortunately, the House is still in active debate on the Defense Authorization bill, which he has been a very significant Member of the Congress, and he informs me that because of that, he regrets that he will be unable to join us today.

I do not need to tell this audience or any other audience of informed Americans that our Nation faces a very serious housing crisis. Today there is a shortage of affordable housing for those with moderate incomes and a shortage of decent housing for those with low incomes.

And if current trends continue, these problems will only be exacerbated. In Florida we experience the growing numbers of working homeless, the often long waiting lines for public housing units, or an apartment in a section 202 housing for the elderly, the frustration of first time home buyers with limited incomes, trying to find a house that is decent in which to raise their family, and increasing social problems which are associated with poor tenant population of our Federal and State housing projects.

All of these needs demand that Congress give immediate attention to America's housing crisis. We must change our Federal housing policy and be a catalyst for reforming and planning for the future.

To provide a blueprint for the foundation of a new housing legislation, the Senate asked that a National Housing Task Force be formed in the fall of 1987.

The task force report, "A Decent Place To Live," was authored by this panel, and chaired by developer James Rouse. One of the members of that is going to be on our first panel today, Mr. John Koelemij.

This report, which was released in March of this year, provides a fresh new framework for national housing policy, one that can meet the Nation's housing needs over the next decade.

The report provides a clear understanding of America's housing challenge, and has suggested a number of practical solutions that are within the country's capability to implement.

This report is being carefully analyzed by key organizations and individuals around the country. In the months to come, we will use the criticisms and comments which will be heard today, as well as suggestions for refinement, additional recommendations, as the bill is crafted.

Although we are still in the early stages, the broad outline of a new national housing bill is beginning to take form.

One segment would address first time home ownership and will make it possible for more families to buy that first home.

Another segment will expand the availability of decent rental housing that is affordable to those with low and moderate incomes.

Another segment will address supportive services, congregate housing for the elderly, day care for single family households, and others with special needs. That is why it is important that we're here today, to gain the Florida reaction to this report.

We will present the testimony of our experts to the Senate Banking Committee and other recommendations to those in the Florida housing business so that our State's best ideas can be included in the new legislation.

I am confident that we can develop bold but realistic housing legislation that meets the needs of our rapidly growing State, as well as deals with the future of America.

We are honored to have an outstanding group of witnesses with us today. We are especially honored to be hosted by the city of St. Petersburg, which has made available to us this beautiful facility and support personnel so that our hearing can be conducted this morning.

I would like to introduce at this time, our host, the mayor of the city of St. Petersburg, Bob Ulrich.

Bob Graham

United States Senator

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OPENING STATEMENT OF SENATOR BOB GRAHAM
SENATE HEARING ON NATIONAL HOUSING POLICY:
THE FLORIDA PERSPECTIVE
ST. PETERSBURG, FLORIDA MAY 4, 1988

I AM PLEASED TO WELCOME YOU ALL HERE THIS MORNING. TODAY'S HEARING IS PART OF AN IMPORTANT SERIES OF HEARINGS THAT THE SENATE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS WILL HOLD ON THE FUTURE OF NATIONAL HOUSING POLICY.

WE ARE HERE BECAUSE THE COUNTRY FACES A GREAT HOUSING CRISIS. RIGHT NOW THERE IS A SHORTAGE OF AFFORDABLE HOUSING FOR THOSE WITH MODERATE INCOMES AND A SHORTAGE OF DECENT HOUSING FOR THOSE WITH LOW INCOMES, AND CURRENT TRENDS INDICATE THAT THESE PROBLEMS WILL ONLY GET WORSE.

IN OUR OWN RAPIDLY GROWING STATE OF FLORIDA, WE EXPERIENCE:
O THE GROWING NUMBERS OF THE WORKING HOMELESS;
O THE OFTEN LONG WAITING LIST FOR PUBLIC HOUSING UNITS OR AN APARTMENT IN SECTION 202 HOUSING FOR THE ELDERLY;
O THE FRUSTRATION OF FIRST TIME HOMEBUYERS WITH LIMITED INCOMES TRYING TO FIND A HOUSE THAT IS AFFORDABLE;
O AND THE INCREASING SOCIAL PROBLEMS ASSOCIATED WITH THE POOR TENANT POPULATIONS OF OUR FEDERAL AND STATE HOUSING PROJECTS.
THESE ALL DEMAND CONGRESS' IMMEDIATE ATTENTION. WE MUST CHANGE OUR FEDERAL HOUSING POLICY TO CATALYZE REFORM AND TO PLAN FOR THE FUTURE.

TO PROVIDE A BLUEPRINT FOR THE FOUNDATION OF NEW HOUSING LEGISLATION, THE SENATE ASKED THAT A NATIONAL HOUSING TASK FORCE BE FORMED LAST FALL. THE TASKFORCE REPORT, A DECENT PLACE TO LIVE, ENGINEERED BY SUPER DEVELOPER JAMES ROUSE AND PRODUCED BY A TEAM OF HOUSING EXPERTS, WAS RELEASED MARCH 28, THIS YEAR, AND PROVIDES A FRESH, NEW FRAMEWORK FOR NATIONAL HOUSING POLICY--ONE THAT CAN MEET THE COUNTRY'S HOUSING NEEDS OVER THE NEXT DECADE. THE REPORT PROVIDES A CLEARER UNDERSTANDING OF AMERICA'S HOUSING

CHALLENGE AND SUGGESTS A NUMBER OF PRACTICAL SOLUTIONS THAT ARE WITHIN THE COUNTRY'S CAPABILITY.

THIS REPORT IS BEING CAREFULLY ANALYZED BY KEY ORGANIZATIONS AND INDIVIDUALS AROUND THE COUNTRY AND IN THE MONTHS TO COME WE WILL USE THEIR CRITICISMS, THEIR SUGGESTIONS FOR REFINEMENT, AND THEIR ADDITIONAL RECOMMENDATIONS AS THE BILL IS CRAFTED. ALTHOUGH STILL IN THE EARLY STAGES, THE BROAD OUTLINES OF THE NEW HOUSING BILL ARE BEGINNING TO TAKE SHAPE.

ONE SEGMENT OF THE NEW BILL SHOULD ADDRESS FIRST TIME HOMEOWNERSHIP, AND WILL MAKE IT POSSIBLE FOR MORE FAMILIES TO BUY A FIRST HOME. ANOTHER SEGMENT WILL EXPAND THE AVAILABILITY OF DECENT RENTAL HOUSING THAT IS AFFORDABLE TO THOSE WITH LOW AND MODERATE INCOMES. ANOTHER SEGMENT WILL ADDRESS SUPPORTIVE SERVICES: CONGREGATE HOUSING FOR THE ELDERLY, DAY CARE FOR SINGLE FAMILY HOUSEHOLDS AND OTHERS WITH SPECIAL NEEDS.

THAT IS WHY IT IS IMPORTANT THAT WE ARE HERE TODAY, TO GAIN THE FLORIDA REACTION TO THIS REPORT. WE WILL PRESENT THE TESTIMONY OF OUR EXPERTS TO THE SENATE BANKING COMMITTEE AND OTHER RECOMMENDATIONS FROM THOSE IN THE FLORIDA HOUSING BUSINESS SO THAT OUR STATE'S BEST IDEAS CAN BE INCLUDED IN THE NEW BILL. I AM CONFIDENT THAT WE CAN DEVELOP BOLD BUT REALISTIC HOUSING LEGISLATION THAT MEETS FLORIDA'S, WE WELL AS THE NATION'S NEEDS.

WE ARE HONORED TO HAVE AN OUTSTANDING GROUP OF WITNESSES WITH US TODAY.

I WELCOME YOU ALL AND LOOK FORWARD TO HEARING YOUR TESTIMONY.

STATEMENT OF BOB ULRICH, MAYOR OF THE CITY OF ST. PETERSBURG, FL

Mr. ULRICH. Thank you, Senator. A word or two before you get underway this morning.

First of all, I would say to you, welcome to the city of St. Petersburg. We are privileged to be a part of this process. I really think that it's what government is all about.

Government is being responsive to the needs of people, and we're doing this on two levels today really St. Petersburg cooperating and hopefully giving and providing information to you, Senator, and your staff, the Senate Banking, Housing, and Urban Affairs Committee in this field hearing, and I think from St. Petersburg you will get some meaningful input.

We are really all about, aren't we, providing a better quality of life for the people of our country, and it's almost a trite saying today but certainly at the very bottom of that, people must have shelter.

If we know anything, we know that without food, clothing, and shelter, our people suffer from a quality of life that doesn't in any way measure up to the attributes we feel necessary.

So it's a privilege to be part of that process. We hope today we can give you some meaningful input. We are privileged to have you, Senator Graham, and any way that we can be responsive to your needs in the future, please don't hesitate to let us know; and without further ado, welcome once again.

Senator GRAHAM. Thank you very much, Mr. Mayor, and of course to the degree that you are able to stay and participate in the hearing today, we will be honored to have you do so.

Our first panel represents individuals who have had extensive background in housing policy, nationally and within Florida.

I am going to introduce each of them first by title, would ask that they make their statements in a 5 to 10 minute timeframe, after which there will be some time for questions.

If the statement that you wish to place in the record is more extensive than that which you would give orally, it will be entered fully in the record.

First will be Mr. John Koelemij, president of Orange State Construction in Tallahassee, and former president of the National Home Builders Association.

Next Mr. Mark Hendrickson, executive director of the Florida Housing and Finance Agency, Tallahassee.

Next, Mr. Richard Bowers, director of the Department of Housing and Urban Development in Jacksonville; and representing Dade County, Mr. Martin Fine, attorney, and prominent leader in housing issues for Miami.

Mr. Koelemij.

STATEMENT OF JOHN KOELEMIJ, PRESIDENT OF ORANGE STATE CONSTRUCTION IN TALLAHASSEE, FORMER PRESIDENT OF THE NATIONAL HOME BUILDERS ASSOCIATION

Mr. KOELEMIJ. Good morning, Senator Graham, Mayor Ulrich, Mr. Campbell, and Susan Able. I am John Koelemij, as you have mentioned, and I am a home builder from Tallahassee, FL, and I

am pleased to be here to submit some of my testimony and reaction.

As you know, I most recently served on the National Housing Task Force, as well as on the State of Florida Affordable Housing Study Commission, which I started work on that when you were Governor and served, I think, for 8 years while you were Governor.

I ask that my full statement be made part of the hearing record, Senator.

In my full statement, I focus, as suggested in your invitation, on the need for affordable housing in Florida, and on the report of the Florida Affordable Housing Commission; however, Mark Hendrickson, who is here from the Florida Housing Finance Agency will discuss that report, while I will focus my attention this morning on the report of the National Housing Task Force.

As you know, a nonpartisan group led by James Rouse, chairman of the Enterprise Foundation, and David Maxwell, chairman of FNMA, was convened to search for a new national housing policy agenda, and the 26 members of the task force drawn from across the country and from different backgrounds, reported facing most of the same problems we are facing here in Florida.

Affordable rental housing is becoming scarce or nonexistent in many areas of our country, and home ownership is slipping away from the reach of moderate income families, and especially the age group below 34 years, is especially affected.

Regulatory burdens are pushing house prices up. The report concludes that States need to take a more active role in countering the worsening housing condition.

HOUSING OPPORTUNITY PROGRAM

The Federal moneys are recommended to be invested in a new program called the Housing Opportunity Program, designed to foster and stimulate State and local housing initiatives. In fact, State and local matching funds would be required, to be eligible for a portion of the recommended allocation of HOP funds.

I think that the HOP approach is promising. It leverages Federal funds with the efforts of State and local governments to support private sector production of affordable housing. Half of the funds would go directly to States to be matched, and is used in State programs, distributed to localities, and the other half would go directly to local governments. The funds could be spent on nearly any type of housing assistance program.

However, first, the task force envisions half of the Federal funds being allocated by formula to local governments with no matching requirement.

I am concerned, and my fellow builders are somewhat concerned that the relatively small amount of Federal funds available, the suggestion was $3 billion, once broken into small pieces, will not provide the basis for most small and moderate sized communities to mount a serious effort.

Another concern that has surfaced is that some, who are not convinced that housing is a real problem in this country, will just cover it up and say, we now have a Community Development Block

Grant [CDBG] program, let's add some money to it and continue with that effort.

As you know, CDBG funds have not, most of them, been allocated to the production of new housing units, be it rental or single family, and that is a concern.

It may be preferable to allocate these funds by a competitive process at the Federal or State level to for profit and nonprofit developers with State and local contribution a factor in awarding those grants.

In fact, the task force does recommend such a procedure for the distribution of funds when the State government does not wish to participate, so that local communities are not left without any funds.

Second, the local government, through its Public Housing Authority, is permitted to receive HOP funds as well as allocate the funds, and this creates an inherent conflict of interest; and the task force recognized this and recommended a cap of 25 percent on the share of HOP funds that could go to public housing authorities.

The task force proposed a number of other important elements to a national housing strategy, proposals that would help meet our pressing housing needs in Florida.

RECOMMENDED TAX PROPOSALS

In the tax area, these proposals include making the low income housing tax credit permanent and more workable, permitting the carryover by the State of unused credits, and exempting the credit from the passive loss restrictions

These changes are critical for the State of Florida to fulfill the potential for housing production under the tax credit provisions.

Other important tax recommended proposals are the extension of mortgage revenue bond assistance beyond the sunset date at the end of 1988, the classification of tax exempt financing for multifamily rental housing as public purpose bonds, and the reduction to 20 years for the depreciable life of low income housing.

One innovative tax proposal would permit first time home buyers to invest their IRA or 401(k) retirement savings in a home. This would open the door for young people to accumulate a downpayment for a first home.

The equity that is built up in the home then could serve to meet the needs for funds in their retirement years later on. Senator Cranston and Senator Riegel have recently introduced a bill, which we support, to allow IRA funds to be used for the purchase of a first home.

The task force also sought to improve access to home ownership without having to impose any significant additional burden on the Federal budget.

Thus it examined how existing programs, such as the FHA, could be improved. We also strongly endorsed efforts by States and localities to reduce the regulatory and fiscal burden on housing, both by using impact fees only cautiously and as needed, and by pursuing creative regulatory cost reduction programs, such as the HUD Joint Venture for Affordable Housing.

Senator Graham, let me conclude by saying that it is the overall goal of the task force to seek fit, liveable, and affordable housing for every American by the year 2000. And this will be no easy task, but we think Congress and the American people should make this a national commitment. Achievement of this goal depends on a new Federal commitment to housing.

I want to note that the recommendations of the National Housing Task Force are entirely in tune with the recommendations of the Florida Affordable Housing Study Committee. In fact, to some extent, the National Housing Task Force has assumed that State governments are ready and willing to get more deeply involved in meeting their State's housing needs.

I think that if both the State of Florida and the Congress implement some or most of the recommendations of these two groups, the people of Florida will benefit greatly from a coherent, effective national housing policy; and this is, of course, is also true for all other States.

And I would like to thank you for the opportunity to testify this morning, and I would be more than happy, and expecting to answer some questions.

Thank you, Senator.

[The complete prepared statement of Mr. Koelemij follows:]

STATEMENT OF

JOHN J. KOELEMIJ

before the

SUBCOMMITTEE ON HOUSING AND URBAN DEVELOPMENT

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

of the

UNITED STATES SENATE

in

ST. PETERSBURG, FLORIDA

on

THE REPORT OF THE NATIONAL HOUSING TASK FORCE AND

THE REPORT OF THE AFFORDABLE HOUSING STUDY COMMISSION

MAY 4, 1988

Mr. Chairman and Members of the Subcommittee:

My name is John J. Koelemij. I am a homebuilder from Tallahassee, Florida and am Past President of the 151,000-member National Association of Home Builders (NAHB). I also served on the National Housing Task Force and the State of Florida Affordable Housing Study Commission.

It is an honor to appear before you today. My testimony will focus upon: (1) Florida's need for affordable housing; (2) the Report of the State of Florida Affordable Housing Study Commission; and (3) the National Housing Task Force Report.

I. Florida's Need for Affordable Housing

The problem of affordable housing in Florida is as complex as any issue facing the State because of its rapid economic and population growth. Estimates of the Florida Housing Finance Agency and the Florida Department of Community Affairs indicate that more than two million residents of this State are facing critical housing problems. These two million residents are paying a disproportionately high portion of their income for housing. Furthermore, they are living in substandard conditions. As Florida's population continues to grow, more and more residents will confront these problems. By the year 2000, Florida's population is projected to reach 16 million. The State government and local governments are struggling with ways to accommodate over 300,000 new residents annually. Safe, sanitary, affordable housing is an essential service that must be available to these residents.

At present, more than 720,000 low- and moderate-income households in Florida are paying more than 35 percent of their gross monthly income for housing. Even more startling, is the fact that over 84 percent of Florida's very low-income residents are paying too high a percentage of their income for housing costs.

According to an analysis of 1980 Census data prepared by the National Low Income Housing Coalition, there are only seven States that report a greater per capita need for low-income rental units than Florida. Furthermore, a series of market studies prepared for the Florida Housing Finance Agency from 1985 to present, which surveyed the need for moderate-income rental housing in 17 of Florida's largest counties, concluded that over 35,000 units are needed in each of the next five years.

Conservative estimates of Census figures estimate a current need for rehabilitation or demolition with replacement housing of between 70,000 to 160,000 existing units. As projected from local surveys of general housing conditions in 10 Florida cities, the current Statewide need for housing rehabilitation or demolition with replacement housing may be as high as 645,675 units. By the year 2000, this need may be as high as 867,176 units.

Let me reiterate, Mr. Chairman, that there currently exists a shortage of affordable rental housing in Florida and that this problem is most acute for low- and moderate-income renters. The breadth of the problem may be graphically illustrated by the following figures:

- There is an immediate shortage of 43,000 low-income rental units;
- There is a need for 35,000 new moderate-income and 6,000 new low-income units each year to the end of this century;
- There are 70,000 units without adequate plumbing; and
- One in five tenants presently is paying a disproportionate share of income toward rent.

Cutbacks in federal rental subsidy programs over the last seven years, have increased the shortage of affordable rental housing in Florida. Further exacerbating the problem is the Tax Reform Act of 1986, which reduced tax incentives for rental housing production.

In 1985, Florida's tax-exempt bond program fully met the moderate-income apartment demand. However, the Tax Reform Act of 1986 increased low-income targeting to such a degree that tax-exempt bond projects no longer are feasible without additional subsidy. The tax-exempt bond program, which produced over 30,000 new units in 1985, produced less than 2,500 units in 1987.

Population growth, particularly the increase of families in service-related industries, will continue to stimulate a critical need for new apartment development. Assuming the continuation of present trends, rents will accelerate with an extreme impact on the buying power of moderate-income families and a devastating impact on low-income families.

Mr. Chairman, the affordable housing program in Florida is not limited solely to rental housing. Moderate-income first-time homebuyers find it increasingly difficult to afford the transition from renter to homeowner. Higher rents make saving for a downpayment more difficult. At the same time, the cash required to close a home loan has increased significantly. These additional cash requirements price many first-time homebuyers out of the market -- homebuyers who could afford the monthly payments but not the downpayment, increased premiums, and other closing costs.

In summary, Mr. Chairman, the growing problem of housing affordability in the State of Florida is the result of a multiplicity of factors -- the rising costs of land, construction, and financing, stricter underwriting criteria and land use restrictions, and phenomenal population growth. These problems are complex. However, the Florida Affordable Housing Commission feels that these problems can be solved.

Furthermore, the Commission believes that the resolution process must start now, because the cost of effective action will only increase with delay.

II. Report of the Affordable Housing Study Commission

Mr. Chairman, the most important finding of the Affordable Housing Study Commission is that the State of Florida should actively recognize the problem of affordable housing. The most effective method of recognition is the commitment of State revenues to begin the resolution process.

I want you to know that the experience of working with this Commission has been unique and enjoyable. Even with the time constraints we had, the members were able to give in-depth study to the issues involved in the problem of affordable housing and to produce meaningful recommendations and programs. We believe we have been diligent in our work and we certainly gained an education as we progressed.

After considerable work, the Commission can affirm, without a doubt, that Florida's affordable housing shortage is real and acute. If not enacted upon now, this affordable housing shortage will reach crisis proportions. Furthermore, the Commission has concluded that current State programs do not meet the present, much less the future, needs of the State.

The broad general findings of the Commission can be summarized as follows:

- For some groups in the State, especially the low-income and the elderly, the need for affordable housing has reached crisis proportions. The number of citizens threatened will increase dramatically if specific solutions are not provided.
- Due to the near total elimination of the federal government's participation in housing programs, it is not only appropriate, but necessary for the State to expand its current role.
- Current State programs cannot meet current or future needs.
- Housing-related programs and regulations should be streamlined and consolidated.
- Unique elements within each community should be recognized and used to encourage local public/private partnerships.
- Sound economic development relies on the availability of affordable housing. The State should recognize that affordable housing is essential to the health of an expanding economy.

- Adequate, well planned infrastructure is important to the production of affordable housing. Funding options should be made available to local governments to construct and maintain necessary services.

The balance of my testimony on the Study Commission Report will focus upon rental production and the homeownership assistance program.

The Commission has recommended that the State of Florida create a new program, the State Apartment Incentive Loan (SAIL) Program, which commits State resources to stimulate the construction, or substantial rehabilitation, of rental housing. We believe the SAIL program should produce $300 million, or 6,000 units of housing annually, thus, providing shelter for an estimated 18,000 persons. In order to accomplish this goal, an investment of $40 - $50 million annually of State monies would be required, thus, achieving a 5-1 leveraging.

The goals of the SAIL program would be to:

- Encourage use of existing federal tax incentives;
- Use State funds as loans, not grants;
- Require local government construction;
- Assist low-income tenants in mixed-income settings;

- Use the private sector, including non-profits, as the production delivery vehicle; and
- Put additional units into service.

The SAIL program would be designed such that the agency and developer would determine the maximum mortgage payment possible from rents on a project, taking into account the rent loss from low-income units. The developer then would obtain a first mortgage in this amount. The remainder of project cost would be funded by a combination of developer equity, local government contribution and a second mortgage from the SAIL program.

The subsidy per unit would be limited to the minimum necessary to make the project economically feasible since 20 percent of the units would be rented to very low-income tenants. Also, it is expected that no more than 25 percent of a project's costs would be provided through a SAIL loan, however, it should be recognized that certain target groups such as farmworkers, may need a larger amount of State assistance.

If a developer uses tax-exempt financing for the first loan, the Commission proposal would require that 20 percent of the tenants have incomes below 50 percent of local median income, adjusted for family size. If a developer uses taxable, conventional financing for the first mortgage, then 20 percent of

the tenants would be required to have incomes below 50 percent of the State or local median income (whichever is higher), without a family size adjustment.

The Commission believes that a minimal threshold of local government participation should be stated and required. The scoring system for the distribution of State funds should reward higher levels of local government contribution, and the program goal should be to obtain 5 percent to 10 percent of project costs in the form of local government contribution.

State funds should provide the incentive for private sector developers to produce the needed rental units, and both for-profit and non-profit developers should be encouraged to participate in the program. In addition, SAIL funds should be targeted by user groups (that is, elderly, farmworkers, etc.), not by the type of provider.

We believe that developers should be allowed to use the most cost-effective source of first mortgage financing, whether tax-exempt bonds or conventional financing, and that the program scoring provision should heavily reward projects that use the lowest State subsidy per project, thus, rewarding developers with the lowest possible effective first mortgage interest rate. Units produced by the SAIL program should not be subject to rent controls.

Senator GRAHAM. Thank you very much, John. We will hear from all the members of the panel and then we will proceed to questions.

Mr. Hendrickson.

STATEMENT OF MARK HENDRICKSON, EXECUTIVE DIRECTOR OF THE FLORIDA HOUSING AND FINANCE AGENCY, TALLAHASSEE

Mr. HENDRICKSON. Senator Graham, Mayor Ulrich, committee staff. My name is Mark Hendrickson, and I am the executive director of the Florida Housing Finance Agency. I would also like to request that my full written statement be made part of the record, along with an executive summary of the State of Florida Affordable Housing Study Commission report.

Senator GRAHAM. It shall be.

Mr. HENDRICKSON. Thank you for the opportunity to present my views on the National Housing Task Force report, the housing affordability crisis in Florida, and the new housing initiatives that Governor Martinez has proposed to the Florida legislature, which were based on that Affordable Housing Study Commission report.

I would like to let you know what the Affordable Housing Study Commission is. It was, as you remember, created when you were Governor in 1986, and basically we had recognized that housing was a problem that had to be addressed by State government, and the Commission was created to bring back specific recommendations as to what was the proper role for the State of Florida in the housing area.

It's remarkable, the similarity between the Rouse report and the study commission report. Though we worked independently, we came up with the a series of recommendations that I think mesh incredibly well, and later on I would like to talk about some of those specific recommendations.

To begin with though, I would like to talk a little bit about the need for affordable housing in Florida.

The study commission stated that for some groups in the State, especially low income and the elderly, the need for affordable housing has reached crisis proportions. It's gone beyond the problem level, it's become a crisis for certain people.

Some general statistics: Over two million residents in Florida either pay too much of their income for housing or live in substandard dwellings.

There is an immediate shortage of 43,000 low income rental units.

There is a need for 35,000 new moderate income and 6,000 new low income apartments each year until the year 2000 in Florida, and young couples find it increasingly difficult to get into their first house due to rising costs, and particularly due to increased downpayment cash requirements.

The study commission, the State of Florida Study Commission, cited as a major cause of Florida housing problems, the near total elimination of the Federal Government's participation in housing programs.

So it is with great interest and anticipation that we read this report of the National Housing Task Force, and we think that it provides a great framework for a new Federal housing policy.

I would like to give some general comments on that new Federal policy.

NEW HOUSING POLICY MUST BE COMPREHENSIVE

First, when Congress gets back and puts the Federal Government back into the housing arena, your new policy must be comprehensive and provide a range of housing opportunities for a wide range of persons; very low income, moderate income, and first time home buyers.

It must include both fiscal and tax policy as part of the program. One of the things that has gotten the most attention has been the homeless. The homeless is the tip of an iceberg.

A lot of people are homeless because of the lack of affordable housing and a comprehensive policy on affordable housing. That has gotten a lot of attention, but a lot of that cause is there because a wide range of people are suffering to various levels. The homeless are the most visible in their suffering.

A second general comment on your new policy. It cannot spend money as ineffectively and inefficiently as some of the past Federal housing programs. We have recognized budget constraints, and we think that a new housing program has to be more innovative in its use of the Federal money than some of the grant programs in the past.

The Affordable Housing Study Commission had recommendations to the State of Florida for the use of State money in housing, and I think some of those recommendations could apply equally well to your new Federal housing program, and I would like to go through some of those.

The first is that the private sector, both nonprofit and for profit, should be the primary delivery vehicle for housing, with State, local, and Federal incentives put in place to encourage development of affordable housing.

Any public money must be heavily leveraged. You can't spend a dollar and get a dollar and effectively address this issue.

A third recommendation is that the money should be spent on housing, not administration. The CDBG frame allows up to 20 percent of the Federal money to go for administration. That is something that we can't afford with a new housing program.

Wherever possible, the public money should be used as loans, not as grants, though there will be times when grants are needed, and mixed income development should be encouraged whenever possible, avoiding a concentration of low income persons in any one project or one locality.

Some specific comments on the National Housing Task Force report. First, the Housing Opportunity Program or HOP, is a tremendous recommendation. It provides flexibility to State and local governments. It would mesh well with our State initiatives.

I would like to echo one of Mr. Koelemij's comments, that there is going to be a limited amount of money, so it should not be divided up so that every governmental jurisdiction has some fair share

The goal of the SAIL program should be a 50-50 division of low-income units between family and elderly housing, with a six-month set-aside period. Furthermore, 10 percent of SAIL funds should be set-aside for a six-month period for use by developers of farmworker housing. Except in projects, or portions of projects designed for all-elderly occupancy, there would be no discrimination against families with children. After the six-month set-aside period, all program funds should be available to any eligible project developer in the State.

Finally, we believe that the SAIL program should provide State loans to developers of new housing or housing requiring substantial rehabilitation.

With regard to the issue of homeownership, the Commission believes that Florida should commit State resources to a Homeownership Assistance Program. Specifically, Florida should commit State resources to the Florida Housing Finance Agency's homeownership bond program to improve its ability to serve low- and moderate-income first-time homebuyers. The homeownership program should provide $150 million of financing annually. This would be enough to house 3,000 families (estimated to be between 6,000 and 7,000 people). In order to accomplish this, a commitment of $4 million of State funds would be required annually, thus, achieving leverage of 35 - 1.

The goals of the Homeownership Assistance Program would be to:

- Reduce the up-front cash costs to 5 percent for low-income homebuyers;
- Facilitate the use of FHA insurance or bond loans;
- Use State funds as second mortgage loans to homebuyers (to be used to pay part of downpayment and closing costs);
- Use State funds to establish a loan loss insurance reserve to cover the 2 percent FHA shortfall; and
- Use State funds to assume part of the loan non-origination risk.

The subsidy (in the form of a loan) would be limited to the difference between 3 percent downpayment, 3.5 percent origination fees/actual closing costs and 5 percent (low-income buyers). Funding between $2 million and $3.5 million would be committed annually. No local government contribution should be required, and the program should be limited to use with HFA bond loans. Since federal law already limits the sales price of bond financed homes to 90 percent of the average area purchase price, no additional sales price limitations should be imposed.

The State assistance, under this program, would be in the form of a second mortgage loan, with the HFA given flexibility in setting the specific terms. A recommended loan structure would include the following:

- Deferred payments for three to five years;
- A 3 percent interest rate;
- A 10-year amortization period; and
- The loan due at time of sale or refinancing.

The Commission was concerned that the FHA insurance shortfall (approximately 2 percent) makes it difficult to utilize fully FHA insurance in bond programs. Thus, the Commission has recommended that State funds be used to cover the FHA insurance shortfall, in an amount sufficient to achieve a bond rating. These State funds should be placed in an insurance escrow, and could be released as the bond issue revenues become sufficient to cover shortfalls. Approximately $1.5 million of State funds should be committed to this insurance reserve. Future funding would be a function of loan losses.

The Commission looked closely at the issue of impact fees and believes that any additional dollars that are added to the real cost of construction creates barriers to affordable housing.

Regarding these fees, the Commission has made the following recommendations:

- Local governments should be encouraged to pay impact fees out of local or federal funds on affordable housing units.
- Legislation should allow for the waiver of impact fees by local communities for affordable housing.
- Legislation should codify impact fees and provide guidelines and standards by which they are to be implemented.
- The cost of roads should be taken out of the cost of housing.
- Local government should be encouraged, where possible, to establish a national nexus for a lower impact fee for affordable housing.
- Regulatory agencies, State and local governments, must credit developers with any exactions required of the developer.

III. The Report of the National Housing Task Force

The same forces creating a worsening housing situation in Florida are at work in the nation as a whole. Because of this, a nonpartisan group, led by James Rouse of the Enterprise Foundation and David Maxwell of Fannie Mae, was convened to search for a new national housing policy agenda. I was privileged to serve on this National Housing Task Force. Over the course of last fall and Winter, the Task Force met many times to discuss the issues and to draft a consensus document, which was released in late March.

Before discussing the Task Force's report, I want to point out that the 26 members of the Task Force, though drawn from all across the country and from many different backgrounds, reported facing most of the same problems we are facing in Florida. Affordable rental housing is becoming scarce or non-existent in most areas. Homeownership is slipping from the reach of moderate-income families. Regulatory burdens are pushing up house prices.

After assessing these problems, the Task Force reached a conclusion similar to that of the Affordable Housing Study Commission, that States need to take a more active role in countering the worsening housing situation. Thus the first

recommendation of the Task Force was that federal monies should be invested in a "Housing Opportunity Program" (HOP) designed to foster and stimulate State and local housing initiatives. In fact, State or local matching funds would be required for a portion of the HOP funds. Thus the National Task Force looks towards the kind of policies and programs envisioned by the Florida Commission.

I think that the HOP approach is promising. It leverages federal funds with the efforts of State and local government to support private sector production of affordable housing. Half of the funds would go directly to States to be matched and used in State programs or distributed to localities. The other half would go directly to local governments. The funds could be spent on nearly any type of housing assistance program.

Although there is great potential for energizing public-private partnerships by such an approach, there are two cautionary aspects of the proposal. First, the Task Force envisions half of the federal funds being allocated by formula to local governments with no matching requirement. I am concerned that the relatively small amount of federal funds available, once broken into many small pieces, will not provide the basis for most small and moderate size communities to mount a serious effort. It may be preferable to allocate these funds by a

competitive process at the federal or State level to for-profit and non-profit developers with State/local contribution a factor in awarding grants. In fact, the Task Force does recommend such a procedure for the distribution of funds when a State government does not wish to participate.

Secondly, the local government, through its public housing authority, is permitted to receive HOP funds, as well as allocate the funds. This creates an inherent conflict of interest. The Task Force recognized this and recommends a cap of 25 percent on the share of the HOP funds that could go to public housing authorities. Even this amount, though, if applied to a small allocation, further reduces the ability of the private sector to proceed with significant projects in many communities.

Because of the need for special housing affordable to the elderly, the Task Force urged continuation of the Section 202 program, while also making HOP funds available for elderly housing. In fact, we envisioned the HOP funds being used to go beyond existing programs, for example, to provide special facilities of the "frail elderly" who cannot live independently. Similarly, because of their flexibility, HOP funds are well-suited to mesh with multi-faceted efforts to assist the homeless.

The Task Force proposed a number of other important elements to a national housing strategy, proposals that would help meet our pressing housing needs in Florida. In the tax area, these proposals include making the low-income housing tax credit permanent, permitting the carryover by the state of unused credits, and exempting the credit from the passive loss restrictions. These changes are critical for the State of Florida to fulfill the potential for housing production under the credit. Other important tax-related proposals are extensions of mortgage revenue bond assistance beyond the sunset this year, the classification of tax-exempt financing for multifamily rental housing as public purpose bonds, and the reduction to 20 years for the depreciable life of low-income housing.

One innovative tax proposal would permit first-time homebuyers to invest their IRA or 401(k) retirement savings in a home. This would provide substantial assistance in accumulating the downpayment, while recognizing that such infusions to home equity will be available (and much increased) to meet retirement needs.

The Task Force also noted the importance of preserving the current stock of privately-owned, assisted low-income housing units. This requires two things. First, the rental subsidy contracts under the Loan-Management Set Aside (LMSA) program that

expire in the next few years must be renewed. Secondly, the government must provide incentives to those property owners who will soon be free to leave the programs to, instead, extend their commitments. As the just-released report of a Commission chaired by Henry Reuss and Carla Hills concludes, it is less costly to the government and better for the tenants to retain these housing units (in most cases) than to have to subsidize additional units through other routes.

The Task Force sought to improve access to homeownership without having to impose any significant additional burden on the federal budget. Thus it examined how existing programs, such as the FHA, could be improved. The proposals, include extending the maximum mortgage requiring only a 3 percent downpayment from $25,000 to $50,000, improving the FHA-adjustable rate mortgage program, and permitting high-cost areas access to FHA insurance on the same terms as low cost areas.

We also strongly endorsed efforts by states and localities to reduce the regulatory and fiscal burden on housing, both by using impact fees only cautiously and as needed and by pursuing creative regulatory reduction programs such as the HUD Joint Venture for Affordable Housing.

There were a number of other areas that the Task Force felt could benefit from creative, but low-cost, initiatives. These include encouraging the growth of benevolent, below-market-rate loan funds and of community development banks and the creation of a Congressionally-chartered corporation to provide technical assistance and support to public-private partnerships for affordable housing. Also, strong enforcement of fair housing laws is needed to assure that households seeking housing do not face racial or other discrimination. This must be done both on moral grounds and on the practical grounds of ensuring access to affordable housing and job opportunities, wherever they may be in the community.

The Task Force sought to go as far as it could in proposing low-cost approaches to improving the housing opportunities of Americans. However, all of the members came to recognize that meeting the goal of the Task Force, and we hope of our country, that all Americans have a decent place to live would also take some increase in government funding. Most of that increase would go into the HOP program to maximize the amount of housing provided per federal dollar. But additional funding is also needed for direct rental assistance (e.g., vouchers) to complement the production and preservation efforts, for the maintenance and rehabilitation of public housing projects, and for programs for the elderly, rural families, and others facing

special problems. The Task Force suggests total first-year additional funding of $3.4 billion for all of these efforts, and projects that such funding, if expanded gradually over time, will bring the country very close to the goal over the 12 years remaining in this century.

Mr. Chairman, in summary, I want to note that the recommendations of the National Housing Task Force are entirely complimentary to the recommendations of the Florida Affordable Housing Study Committee. In fact, to some extent the National Task Force has assumed that State governments are ready and willing to get more deeply involved in meeting their state's housing needs. I think that if both the State of Florida and the Congress heed the recommendations of these two groups, the people of Florida will benefit greatly from a coherent, effective housing policy.

of it. There is not enough money for every jurisdiction to be guaranteed every year that they are going to receive HOP money, and that should be avoided.

The national commission has recommendations on tax policy, including improving multifamily financing, continuing the tax credit. We agree wholeheartedly with those recommendations.

In the area of home ownership, there is a specific recommendation that we again agree with, one of the most critical being the removal of the sunset of mortgage revenue bonds.

A lot of our State initiatives on home ownership are prefaced on our ability to link to mortgage revenue bonds if they are available at the Federal level.

To conclude, the State of Florida, and Governor Martinez, have recognized this problem. In a very tough budget year, a year when most State agencies are lucky to get a continuation budget, there is a new $30 million initiative in the budget for housing this year.

The State of Florida is ready to be a partner with the Federal Government, and we look forward to the enactment of Federal housing legislation that can link with our new State initiatives.

I would like to thank you for your leadership in this issue, and I look forward to working with you and your staff as you develop this policy. Thank you.

[The complete prepared statement of Mr. Hendrickson follows:]

TESTIMONY OF THE
FLORIDA HOUSING FINANCE AGENCY
BEFORE THE
UNITED STATES SENATE BANKING COMMITTEE
SUBCOMMITTEE ON HOUSING AND URBAN DEVELOPMENT

Delivered By Mark A. Hendrickson
Executive Director
Florida Housing Finance Agency

INTRODUCTION

MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE, MY NAME IS MARK HENDRICKSON AND I AM THE EXECUTIVE DIRECTOR OF THE FLORIDA HOUSING FINANCE AGENCY. I WOULD LIKE TO WELCOME YOU TO FLORIDA, AND COMMEND YOU FOR YOUR EXCELLENT LEADERSHIP IN CREATING A NEW FEDERAL HOUSING POLICY. I AM EXTREMELY GRATIFIED TO HAVE THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY AND TO RESPOND TO THE FINAL REPORT OF THE NATIONAL HOUSING TASK FORCE.

IN THE TEN YEARS THAT I HAVE ADMINISTERED HOUSING PROGRAMS, I HAVE WATCHED THE WITHDRAWAL OF FEDERAL FUNDS FROM HOUSING PROGRAMS AND THE CONCOMITANT DRAMATIC RISE IN THE NEED FOR AFFORDABLE HOUSING UNITS. THE MESSAGE TO THE INDIVIDUAL STATES HAS BEEN THAT WE CAN NO LONGER RELY ON THE FEDERAL GOVERNMENT TO HELP US HOUSE OUR RESIDENTS. WITHOUT A WORKING STATE/FEDERAL PARTNERSHIP, THE OUTLOOK FOR A STATE GROWING AS RAPIDLY AS FLORIDA TO ADEQUATELY HOUSE OUR FUTURE RESIDENTS IS GRIM.

I AM VERY ENCOURAGED BY THE INTEREST SHOWN BY THIS COMMITTEE, BY THE LEVEL OF COMMITMENT SHOWN BY THE NATIONAL HOUSING TASK FORCE, AND BY THE SUBSTANCE OF THE RECOMMENDATIONS CONTAINED IN THEIR FINAL REPORT. FOR THE FIRST TIME IN THE LAST SEVEN YEARS, I FEEL THAT THERE IS A RENEWED DEDICATION TO FORMULATING A NATIONAL HOUSING POLICY TO GUIDE STATE AND LOCAL HOUSING EFFORTS.

HOUSING NEEDS IN FLORIDA

THE FINDINGS OF NEED MADE IN THE NATIONAL HOUSING TASK FORCE MIRROR THE SITUATION IN FLORIDA. DESPITE OUR GENERAL ECONOMIC PROSPERITY, MANY OF OUR CITIZENS CANNOT FIND OR AFFORD DECENT SHELTER.

ESTIMATES OF THE FLORIDA HOUSING FINANCE AGENCY AND THE FLORIDA DEPARTMENT OF COMMUNITY AFFAIRS INDICATE THAT OVER TWO MILLION RESIDENTS ARE FACING CRITICAL HOUSING PROBLEMS - THEY ARE PAYING A DISPROPORTIONATELY HIGH PORTION OF THEIR INCOME FOR HOUSING AND THEY ARE LIVING IN SUBSTANDARD CONDITIONS. THERE IS AN IMMEDIATE SHORTAGE OF 43,000 LOW INCOME RENTAL UNITS, AND A NEED FOR 35,000 NEW MODERATE INCOME AND 6,000 NEW LOW INCOME APARTMENTS EACH YEAR TO THE END OF THE CENTURY.

AS ONE OF THE FASTEST GROWING STATES IN THE NATION, A SIGNIFICANT INCREASE IN THESE NUMBERS WILL BE SHOWN WITH THE RELEASE OF THE 1990 CENSUS. IN THE ABSENCE OF FEDERAL POLICY OR PROGRAMS, AND WITHOUT FIRM AGGRESSIVE STATE SOLUTIONS THE HOUSING NEEDS OF FLORIDA WILL BE OVERWHELMING.

COMPLEMENTARY SOLUTIONS: STATE AND FEDERAL POLICY RECOMMENDATIONS

FUNDAMENTALLY, THE REPORT OF THE NATIONAL HOUSING TASK FORCE CALLS FOR A RENEWED FEDERAL COMMITMENT TO HOUSING COUPLED WITH AN

EXPANDED STATE ROLE. THE STATE OF FLORIDA AGREES COMPLETELY. THIS INCREASED STATE ROLE IS THE NATURAL CULMINATION OF THE PUBLIC SECTOR'S HISTORICAL INVOLVEMENT IN THE IMPLEMENTATION OF NATIONAL HOUSING POLICY. STATE GOVERNMENT, THROUGH THEIR HOUSING FINANCE AGENCIES, HAS MOVED FAR BEYOND THE POSITION OF SIMPLY TRANSFERRING CAPITAL TO THAT OF ENTREPRENEUR AND INNOVATOR. IN FACT, THE CONCLUSIONS REACHED BY THE NATIONAL HOUSING TASK FORCE ARE PARALLEL TO THOSE REACHED BY A SIMILAR TASK FORCE CREATED IN FLORIDA.

THE FLORIDA LEGISLATURE, RECOGNIZING THE NEED FOR A MORE ACTIVE STATE ROLE IN HOUSING, CREATED THE FLORIDA AFFORDABLE HOUSING STUDY COMMISSION (AHSC), IN 1986. THE COMMISSION'S TASK WAS TO "ANALYZE THOSE SOLUTIONS AND PROGRAMS WHICH COULD BEGIN TO ADDRESS THE STATE OF FLORIDA'S ACUTE NEED FOR HOUSING FOR VERY LOW, LOW, AND MODERATE INCOME PERSONS." WHILE SPECIFIC DETAILS OF THOSE RECOMMENDED SOLUTIONS WILL BE PRESENTED IN THE BODY OF THIS TESTIMONY, IT SHOULD BE NOTED THAT THE FINDINGS OF THIS STATE GROUP, AND THE FINDINGS OF THE NATIONAL TASK FORCE ARE REMARKABLY SIMILAR AND COMPLEMENTARY.

THE FLORIDA HOUSING FINANCE AGENCY REACTION TO THE FINAL REPORT OF THE NATIONAL HOUSING TASK FORCE REPORT

I COMMEND THE TASK FORCE AND THE STAFF FOR A THOROUGH, WELL RESEARCHED, AND FAR REACHING REPORT. SPECIFICALLY, I WOULD LIKE TO COMMENT ON SEVERAL RECOMMENDATIONS:

- **A NEW SYSTEM FOR DELIVERING AFFORDABLE HOUSING**

FLORIDA ENTHUSIASTICALLY SUPPORTS THE PROPOSED HOUSING OPPORTUNITY PROGRAM ("H.O.P."). THIS PROGRAMS RELIES ON THE STATES AND ON LOCAL GOVERNMENTS TO GUARANTEE THE EFFICIENT DELIVERY OF FEDERAL RESOURCES TO THE PRODUCTION OF HOUSING. THE STATE IS AN EFFECTIVE MANAGER OF FEDERAL RESOURCES. STATE HOUSING FINANCE AGENCIES HAVE CONSISTENTLY AND AGGRESSIVELY IMPLEMENTED FEDERAL TARGETING REQUIREMENTS. THE NATIONAL HOUSING TASK FORCE RECOGNIZED THE ABILITY OF THE STATES TO DELIVER HOUSING BY CREATING AN EXTREMELY FLEXIBLE FEDERAL INDUCEMENT PROGRAM. UNREASONABLE AND UNWIELDY FEDERAL REGULATION HAS BEEN SHOWN TO LIMIT PRODUCTIVITY, NOT ENHANCE THE ABILITY TO SERVE TARGETED MARKETS. THE EMPHASIS ON FLEXIBILITY IS CRITICAL TO THOSE OF US WHO FACE DIFFERING HOUSING PROBLEMS ACROSS REGIONS AND WITHIN STATES.

- **TAX POLICY AND LOW INCOME HOUSING**

HFA'S HAVE HISTORICALLY USED TAX INCENTIVES TO STIMULATE THE PRODUCTION OF LOW AND MODERATE INCOME HOUSING VERY SUCCESSFULLY. BETWEEN 1981 AND 1985, THE FLORIDA HFA FINANCED OVER $1.1 BILLION OF APARTMENTS, HOUSING OVER 30,000 FAMILIES. SINCE THE PASSAGE OF THE 1986 TAX REFORM ACT, NOT ONE APARTMENT HAS BEEN FINANCED BY THIS AGENCY (SUBJECT TO THE PROVISIONS OF THAT ACT).

IN ORDER TO CONTINUE TO PROVIDE AFFORDABLE HOUSING, THE LOW-INCOME HOUSING TAX CREDIT SHOULD BE IMPROVED AND EXTENDED. CHANGES MUST BE MADE TO TAX-EXEMPT MULTI-FAMILY BOND FINANCING

THAT ONCE AGAIN MAKE THIS A VIABLE LOW-COST FINANCE VEHICLE. I COMMEND THE NATIONAL HOUSING TASK FORCE REPORT FOR RECOMMENDING THAT "THE FEDERAL GOVERNMENT SHOULD EXPAND THE AVAILABILITY OF TAX EXEMPT FINANCING FOR LOW INCOME RENTAL HOUSING", AND FOR RECOGNIZING THAT STATE LAWS AND MARKET CONDITIONS ACTUALLY PRODUCED FAR MORE SUBSTANTIAL TARGETING THAN FEDERAL LAW REQUIRED."

- **HOMEOWNERSHIP**

THE NATIONAL HOUSING TASK FORCE RECOMMENDATIONS ON HOMEOWNERSHIP REFLECT THE EMPHASIS THAT HAS BEEN PLACED ON HOMEOWNERSHIP ISSUES IN FLORIDA. UNDER THE SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM, FLORIDA HAS CONSISTENTLY MET, OR EXCEEDED FEDERAL TARGETING REQUIREMENTS. AFTER CONGRESS ISSUED A STATEMENT OF INTENT IN 1982, REQUIRING LOWER INCOME BEFORE HIGHER INCOME PREFERENCE UNDER THE PROGRAM, THE HFA HAS CONSISTENTLY DRIVEN DOWN THE MEDIAN INCOME OF OUR BORROWERS. IN FACT, THE MEDIAN INCOME OF HFA BORROWERS DROPPED 11% BETWEEN 1982 AND 1983. THE AVERAGE MEDIAN INCOME OF OUR FIRST TIME HOMEBUYERS WAS LOWER IN 1983, 1984, 1985 AND 1986 THAN IT WAS IN 1982.

I FEEL VERY STRONGLY THAT THE MRB PROGRAM PROVIDES FINANCING FOR FIRST TIME HOMEBUYERS WHO WOULD NOT OTHERWISE BE ABLE TO ENTER THE HOMEOWNERSHIP MARKET. THE PROGRAM IS SUFFICIENTLY TARGETED TO GUARANTEE USE BY THOSE IN NEED. THE EXTENSION OF THE MRB PROGRAM IS ESSENTIAL TO THE HEALTHY EXPANSION OF THE NATION'S AFFORDABLE HOUSING MARKET. I URGE YOUR SUPPORT OF S.1522 WHICH WILL PROVIDE A FOUR YEAR EXTENSION OF THIS VALUABLE PROGRAM.

RECOMMENDATIONS OF THE FLORIDA AFFORDABLE HOUSING STUDY COMMISSION

AS STATED EARLIER, A FLORIDA AFFORDABLE HOUSING STUDY COMMISSION (AHSC) WAS CREATED IN 1986 TO "ANALYZE THOSE SOLUTIONS AND PROGRAMS WHICH COULD BEGIN TO ADDRESS THE STATE OF FLORIDA'S ACUTE NEED FOR HOUSING FOR VERY LOW, LOW, AND MODERATE INCOME PERSONS." I HAD THE PRIVILEGE OF PROVIDING STAFF SUPPORT TO THAT GROUP AND WOULD LIKE TO SHARE SOME OF IT'S FINDINGS.

THE FINAL REPORT OF THE AFFORDABLE HOUSING STUDY COMMISSION PROPOSES AN AGENDA FOR FLORIDA HOUSING POLICY BASED ON THE FUNDAMENTAL FINDING THAT **FLORIDA MUST ACTIVELY RECOGNIZE THE PROBLEMS OF AFFORDABLE HOUSING AND THEN COMMIT STATE RESOURCES TO SOLVE THEM.** LIKE THE NATIONAL TASK FORCE, FLORIDA'S STUDY COMMISSION WAS INTERESTED IN A DEDICATED, PERMANENT SOURCE OF FUNDING FOR HOUSING.

THE SPECIFIC POLICY RECOMMENDATIONS OF THE AFFORDABLE HOUSING STUDY COMMISSION WERE BASED ON A SET OF UNDERLYING PRINCIPLES ESTABLISHED AT THE BEGINNING OF THEIR WORK. SIX OF THOSE MAJOR PRINCIPLES ARE:

- THE PRIVATE SECTOR SHOULD BE THE PRIMARY DELIVERY VEHICLE FOR HOUSING, WITH STATE AND LOCAL INCENTIVES PUT IN PLACE TO ENCOURAGE THE DEVELOPMENT OF AFFORDABLE HOUSING;
- STATE MONEY MUST BE HEAVILY LEVERAGED;

- STATE MONEY SHOULD BE SPENT ON HOUSING, NOT PROGRAM ADMINISTRATION;
- STATE MONEY SHOULD BE USED, WHENEVER POSSIBLE, AS LOANS, NOT GRANTS;
- LOCAL GOVERNMENT MUST PROVIDE INCENTIVES AND FINANCIAL ASSISTANCE IN PARTNERSHIP WITH STATE ASSISTANCE; AND
- MIXED INCOME DEVELOPMENTS SHOULD BE ENCOURAGED, AVOIDING A CONCENTRATION OF LOW INCOME RESIDENTS IN ONE AREA OR PROJECT.

THESE PRINCIPLES ARE ECHOED AND EXPANDED IN THE NATIONAL HOUSING TASK FORCE REPORT. THE PRINCIPLES WOULD FORM AN EXCELLENT FRAMEWORK FOR A NEW FEDERAL HOUSING POLICY.

THE FLORIDA COMMISSION STATES VERY CLEARLY THAT "THE PRIVATE SECTOR, WITHOUT SUBSIDY, CANNOT, PRODUCE HOUSING FOR LOW INCOME HOUSEHOLDS." EXISTING STATE AND FEDERAL PROGRAMS CONTAIN VALUABLE, BUT INADEQUATE INCENTIVES FOR PRIVATE SECTOR HOUSING PRODUCTION. BOTH THE NATIONAL HOUSING TASK FORCE AND THE FLORIDA AFFORDABLE HOUSING STUDY COMMISSION HAVE CREATED NEW SYSTEMS OR PROGRAMS FOR DELIVERING AFFORDABLE HOUSING.

THE FLAGSHIP RECOMMENDATION OF THE FLORIDA COMMISSION IS THE STATE APARTMENT INCENTIVE LOAN, OR "SAIL" PROGRAM. "SAIL" IS A DEVELOPMENT INCENTIVE PROGRAM THAT LEVERAGES STATE LOAN FUNDS, LOCAL GOVERNMENT CONTRIBUTIONS, DEVELOPER EQUITY, AND EITHER PRIVATE OR PUBLIC BOND FINANCING TO PRODUCE RENTAL HOUSING.

THE PROGRAM WAS SPECIFICALLY DESIGNED TO ENCOURAGE THE USE OF FEDERAL TAX INCENTIVES AND TO STIMULATE THE MAXIMUM AMOUNT OF PRODUCTION POSSIBLE USING A MINIMUM OF STATE FUNDS. THE SAIL PROGRAM, LIKE H.O.P. EMPHASIZES STATE AND LOCAL CONTRIBUTIONS INCLUDING LAND AND ENCOURAGES NON-PROFIT DEVELOPERS TO PARTICIPATE. HOP AND SAIL WOULD COMPLEMENT EACH OTHER PERFECTLY.

BASED ON A LEVERAGED FUNDING FORMULA THAT IS OUTLINED IN THE REPORT, A $27 MILLION STATE APPROPRIATION WILL ALLOW US TO LEVERAGE THE FUNDS TO BUILD ENOUGH UNITS TO HOUSE APPROXIMATELY 16,500 RESIDENTS EACH YEAR. FEDERAL PARTICIPATION COULD ONLY INCREASE THAT LEVERAGING.

THE FLORIDA AFFORDABLE HOUSING STUDY COMMISSION REPORT ALSO RECOMMENDS THAT STATE FUNDS BE USED TO DEVELOP A HOMEOWNERSHIP ASSISTANCE PROGRAM. THE HOMEOWNERSHIP ASSISTANCE FUNDS WOULD BE USED TO HELP FIRST-TIME HOMEBUYERS PAY THE INCREASINGLY HIGH DOWNPAYMENT AND CLOSING COSTS THAT HAVE BEEN SHOWN TO PROHIBIT THE PURCHASE OF A HOME. A RECENT POLL TAKEN BY THE NATIONAL ASSOCIATION OF REALTORS AND PUBLISHED BY THE CHICAGO TRIBUNE REVEALED THAT 70 PERCENT OF THE RENTERS THAT WERE SURVEYED COULD NOT BUY THEIR OWN HOMES BECAUSE THEY SIMPLY DO NOT HAVE THE NECESSARY DOWN PAYMENT. I WOULD LIKE TO EMPHASIZE THAT THE HOMEOWNERSHIP ASSISTANCE PROGRAM WAS STRUCTURED TO WORK IN TANDEM WITH THE SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM.

FLORIDA'S NEW HOUSING INITIATIVE

GOVERNOR BOB MARTINEZ HAS USED THE RECOMMENDATIONS AND CONCLUSIONS OF THE AFFORDABLE HOUSING STUDY COMMISSION TO FORMULATE A COMPREHENSIVE AFFORDABLE HOUSING INITIATIVE THAT IS BEING CONSIDERED BY THE FLORIDA LEGISLATURE THIS SESSION.

THE GOVERNOR'S BUDGET RECOMMENDATION CALLS FOR $27 MILLION IN STATE FUNDS TO BE USED TO FUND THE SAIL APARTMENT PRODUCTION PROGRAM AND $3 MILLION TO BE DEDICATED TO THE HOMEOWNERSHIP DOWNPAYMENT ASSISTANCE PROGRAM. THESE RECOMMENDATIONS HAVE BEEN DRAFTED AS LEGISLATION THAT IS PENDING IN BOTH THE HOUSE AND THE SENATE. BOTH BILLS HAVE PASSED THEIR RESPECTIVE SUBSTANTIVE COMMITTEES AND ARE SCHEDULED TO BE TAKEN UP BY THE HOUSE AND SENATE APPROPRIATIONS COMMITTEES.

I AM EXTREMELY OPTIMISTIC THAT A REAL, WORKABLE, AFFORDABLE HOUSING INITIATIVE WILL BE PASSED INTO LAW THIS SPRING. THIS INITIATIVE DEMONSTRATES FLORIDA'S WILLINGNESS TO ENTER INTO A PARTNERSHIP WITH THE FEDERAL GOVERNMENT IN A MANNER OUTLINED IN THE ROUSE REPORT.

CONCLUSION

IN CONCLUSION, I WOULD LIKE TO EMPHASIZE MY ENTHUSIASM FOR THE RECOMMENDATIONS OF THE NATIONAL HOUSING TASK FORCE, PARTICULARLY THOSE CALLING FOR A RENEWED ACTIVE FEDERAL GOVERNMENT ROLE IN HOUSING. THE FEDERAL GOVERNMENT CAN NO LONGER PLAY A PASSIVE ROLE; ADDITIONAL FEDERAL FUNDS MUST BE MADE AVAILABLE TO THE STATES TO EASE THEIR AFFORDABLE HOUSING

PROBLEMS. HOWEVER, IN AN ERA OF FISCAL RESPONSIBILITY, ANY NEW HOUSING PROGRAM MUST GUARANTEE MAXIMUM LEVERAGING -- A MINIMUM EXPENDITURE FOR MAXIMUM HOUSING PRODUCTION. EACH STATE MUST HAVE MAXIMUM PROGRAM FLEXIBILITY WITHIN THE NEW FEDERAL PROGRAM.

I FEEL THAT THE M.O.P. PROGRAM INCORPORATES THESE NECESSARY FEATURES, BOTH MAXIMUM LEVERAGING AND PROGRAM FLEXIBILITY. THE SAIL PROGRAM THAT WAS PROPOSED BY THE AFFORDABLE HOUSING STUDY COMMISSION WAS CONCEIVED USING THE PRINCIPLES OF A MINIMUM STATE CONTRIBUTION, MAXIMUM LEVERAGE, LOCAL GOVERNMENT CONTRIBUTIONS AND PRIVATE SECTOR INCENTIVES. THESE PRINCIPLES ARE VALID AND SHOULD BE INCORPORATED IN A NATIONAL HOUSING PROGRAM.

I WOULD ALSO LIKE TO RE-EMPHASIZE MY POSITION, ALONG WITH THE SUPPORT FOR NEW PROGRAMS, THAT THE FEDERAL GOVERNMENT SHOULD CONTINUE TO OFFER TAX INCENTIVES FOR THE PRODUCTION OF AFFORDABLE HOUSING. CURRENT TAX INCENTIVES SHOULD BE RETAINED AND IMPROVED, AND THE SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM EXTENDED.

THANK YOU FOR ALLOWING ME TO COMMENT ON THE ROUSE REPORT. I LOOK FORWARD TO WORKING WITH YOU IN THE MONTHS AHEAD TO DEVELOP A PRODUCTIVE STATE/FEDERAL AFFORDABLE HOUSING PARTNERSHIP.

FINAL REPORT OF THE AFFORDABLE HOUSING STUDY COMMISSION

An Agenda For Florida Housing Policy

December • 1987

STATE OF FLORIDA
AFFORDABLE HOUSING STUDY COMMISSION
December 2, 1987

MEMORANDUM

TO: The Honorable Bob Martinez
Governor, State of Florida

The Honorable John Vogt
President of the Senate

The Honorable Jon Mills
Speaker of the House of Representatives

FROM: Joseph Diaz, Chairman
Affordable Housing Study Commission

SUBJECT: Final Report of the Governor's Affordable Housing Study Commission

It is a distinct pleasure to present to you the Final Report of the Affordable Housing Study Commission, An Agenda For Florida Housing Policy. This Report represents the work of the Commission and its findings and recommendations.

The most important finding of the Commission is that Florida should actively recognize the problem of affordable housing. The most effective method of recognition is the commitment of State resources to begin the resolution process.

The problem of affordable housing is as complex as any of the issues that Florida is facing due to its rapid economic and population growth; however, it can be solved. The Commission feels the resolution process should begin now, for the cost of effective action will only increase with delay.

The experience of working with this Commission has been unique and enjoyable. Even with the time constraints set for the Commission, the members were able to give in-depth study to these issues and produce meaningful and implementable recommendations and programs. The members have been diligent in their work and gained an education as they progressed.

BOB MARTINEZ
Governor

JOSEPH F. DIAZ
Chairman

FREDD ATKINS
SHIRLEE BOWNE
LORENE CHAMPION
LEE CHIRA
SAMUEL D. COLLINS
CLIFFORD HARDY, JR.
CHARLES F. JOHNSON, JR.
J. CAROL JOHNSON
RANDALL C. JOHNSON
EDWARD JAY KLEIMAN
JOHN J. KOELEMIJ
EDGARDO G. MENESES
BENJAMIN NORRIS
JEAN L. WHITAKER
THOMAS G. PELHAM
Ex-officio
WALLACE Z. BONNERS
Ex-officio

I appreciate the opportunity to participate in this process and I make myself available for questions in the future. The Commission views this report as only a beginning in the process of resolving affordable housing problems and looks forward to being available also to speak to you or address any questions that may arise in the future.

JD/sf

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EXECUTIVE SUMMARY

The Affordable Housing Study Commission was created in 1986 by the Legislature under Florida Statutes Chapter 420.609 to "analyze those solutions and programs which could begin to address the State of Florida's acute need for housing for very low, low and moderate income persons".

The Commission has met eight times since the enactment of legislation and this final report presents our findings and recommendations. The Commission has not only identified Florida's affordable housing needs, we have provided the justification and specific recommendations necessary to meet the obvious need. **The most important finding of the Commission is that Florida should actively recognize the problems of affordable housing and then commit State resources to solve them.**

The standard definition of "affordable" as it applies to housing is that not more than 30% to 35% of household income is spent on housing costs. That cost should include mortgage or rental payments, taxes, insurance, and utilities. Problems of affordability are most severe for low and moderate income households in both rental and owner occupied categories. State housing programs use the following definitions of those categories:

- Moderate Income - household income between 80% and 120% of the state median household income
- Low Income - household income between 50% and 80% of median
- Very Low Income - household income below 50% of median

After considerable testimony, research, and discussion the Affordable Housing Study Commission affirms that Florida's affordable housing shortage is real and acute. Furthermore, if it is not acted on today it will reach crisis proportions. The Commission also concludes that current State programs do not meet the present, much less the future, need in the state. And finally, experience from other state initiatives, such as those implemented in Massachusetts and Maryland, has shown that state general revenue dollars must be dedicated to a successful affordable housing program. The substantive work of the Commission was divided into three Committees: New and Existing Programs, Regulatory Reform, and Finance and Funding. Each committee was asked to develop recommendations using a set of comprehensive guidelines established by the full Commission:

1. The private sector should be the primary delivery vehicle for housing, with state and local incentives put in place to encourage the development of affordable housing;
2. State money must be heavily leveraged;
3. State money should be spent on housing, not program administration;
4. State money should be used, whenever possible, as loans, not grants;
5. Local government should provide some incentives and financial assistance, with State aid available for those that do;
6. Mixed income projects should be encouraged, avoiding a concentration of low income residents in one area or project.

The major recommendations of each committee are:

A. New & Existing Programs

1. Florida should commit $40 to $50 million each year to stimulate the annual construction or substantial rehabilitation of 6,000 units for 18,000 citizens. The body of this recommendation has been formed as the "SAIL" program, the State Apartment Incentive Loan Program.
2. Florida should commit $4 million each year to the Florida Housing Finance Agency's homeownership bond program to improve its ability to annually serve approximately 6,700 low and moderate income first-time homebuyers.
3. The SAIL program should incorporate the most viable, salient features of the current Affordable Housing Demonstration Loan Program and should replace that program as it is currently structured.

B. Regulatory Reform

The Regulatory Reform Committee worked to build incentives into the current regulatory process for developers, builders, and local governments to encourage the construction of affordable housing units, specifically considering:

1. Comprehensive planning;
2. Waiver of impact fees;
3. Development of Regional Impacts; and
4. Streamlining the Building Code process

C. Finance and Funding

1. Housing should receive a permanent source of funding from $45-$55 million annually using the reallocation of existing documentary stamp tax revenue. These funds would leverage a $300 million annual rental production program to house 18,000 residents per year and a $150 million homeownership program that will provide homes for 6,700 people a year.
2. If documentary stamp tax money is not dedicated, housing should be included under the definition of infrastructure and be eligible for funding under the State Infrastructure Trust Fund.

The final report of the Affordable Housing Study Commission presents the final recommendations of the Commission with justification and background for their findings.

Chapter One

AFFORDABLE HOUSING STUDY COMMISSION

I. AFFORDABLE HOUSING STUDY COMMISSION

A. Role of the Commission

Faced with the dismantling of federal housing programs, the Florida Legislature recognized the need for an increased State role in housing, and created the Affordable Housing Study Commission to make recommendations on solutions to the problem and to identify funding sources. The Commission's role was to recommend solutions and funding options, not to simply document the problem. Specifically, the Commission was to develop programs and proposals to provide for:

1. offering of low interest and zero-interest loans for the development or rehabilitation of housing;
2. use of publicly-owned lands and buildings as affordable housing sites;
3. streamlining of the various State, regional and local regulations and building codes governing the housing industry;
4. stimulation of public and private cooperative housing efforts;
5. implementation or expansion of the pilot programs authorized in this part;
6. discovery and assessment of sources of funding for low-cost housing construction and rehabilitation; and
7. development of such other solutions and programs as the Commission deems appropriate.

The Commission was directed to consider both homeownership and rental housing as viable options for the provision of housing.

B. Process

The Affordable Housing Study Commission has met eight times within the last year. An interim report submitted to the 1987 Legislature included recommendations which were approved by the Legislature.

After several general meetings in which the background issues were discussed, the Commission was organized into four committees, each with a substantive charge. These committees were:

1. New and Existing Programs
2. Regulatory Reform
3. Finance and Funding
4. Mortgage Insurance

Each subcommittee was given a set of guiding principles by the full Commission to use to shape their final recommendations:

1. The private sector should be the primary delivery vehicle for housing with State and local incentives to encourage the development of affordable housing;

2. State money must be heavily leveraged;
3. State money should be spent on housing, not administration;
4. State money used, when possible, as loans, not grants;
5. Local government should also offer incentives and financing with State aid available to local governments that do; and
6. Developments with a mix of incomes should be encouraged, avoiding a concentration of low income residents in one area or project.

C. General Findings of the Commission

Each committee drafted specific recommendations under their assigned topic. There were however, more general, broader findings formulated by the Commission:

1. For some groups in the State, especially the low income and the elderly, the need for affordable housing has reached crisis proportions. The number of citizens threatened will increase dramatically if specific solutions are not provided.
2. Due to the near total elimination of the federal government's participation in housing programs, it is not only appropriate, but necessary for the State to expand its current role.
3. Current State programs cannot meet current or future need.
4. Housing related programs and regulations should be streamlined and consolidated.
5. Unique elements within each community should be recognized and used to encourage local public/private partnerships.
6. Sound economic development relies on the availability of affordable housing. The State should recognize that affordable housing is essential to the health of an expanding economy.
7. Adequate, well planned infrastructure is important to the production of affordable housing. Funding options should be made available to local governments to construct and maintain necessary services.

II. BACKGROUND

A. Scope of the Issue

Estimates of the Florida Housing Finance Agency and the Florida Department of Community Affairs indicate that over two million residents are facing critical housing problems - they are paying a disproportionately high portion of their income for housing and they are living in substandard conditions. As Florida continues to grow, that figure will increase dramatically. Florida's population is projected to reach 16 million by the year 2000 and state and local governments are struggling with ways to accommodate the over 300,000 new residents annually. Safe, sanitary, affordable housing is an essential service that must be available to those residents.

Presently, over 720,000 low and moderate income households in Florida are paying more than 35% of their gross monthly income for housing. The figure for our lowest income residents is even more startling; over 84% of very low income residents are paying too high a percentage of their income for housing costs.

According to an analysis of 1980 Census data prepared by the National Low Income Housing Coalition, only seven states report a greater per capita need for low income rental units than Florida. Also, a series of market studies prepared for the Florida Housing Finance Agency from 1985 to the present

surveyed the need for moderate income rental housing in 17 of Florida's largest counties. The result: over 35,000 units are needed each year for the next five years.

Census figures conservatively estimate a current need for rehabilitation or demolition with replacement housing of between 70,000 (lacking complete plumbing) and 160,000 existing units. As projected from local surveys of general housing conditions in ten Florida cities, the current statewide need for housing rehabilitation or demolition with replacement housing may be as high as 645,675 units. By the year 2000, this need may be an estimated 867,176 units.

Each county and each local government faces distinctly different affordable housing problems. In Dade County, for example, which represents approximately 16% of the State's total population, the 1980 census showed that 32.4% of the households had incomes of less than $10,000 and 13% under $15,000. And in Monroe County, the cost of land has made it virtually impossible for necessary service personnel to be able to afford to live there. This growing problem of housing affordability is the result of the rising costs of land, construction and financing, stricter underwriting criteria and added land use restrictions coupled with phenomenal growth. The situation has been compounded by massive cutbacks in federal housing programs.

B. The Effect of Changing Federal Policy

Since 1981 the budget of the Department Housing and Urban Development has been reduced by over 71.4%. Budget authority for all low income housing programs within HUD has decreased so substantially that the cuts have effectively eliminated federally subsidized construction. *Figure A* (pg. 4) graphically illustrates that budget authority for HUD, which accounted for 7.4% of the total federal budget in fiscal 1978, is proposed to be less than 1% in fiscal 1988.

The Tax Reform Act of 1986 signed by the President in October of 1986, has had a substantial negative effect on investment in the housing and real estate marketplace. The Act lowered the volume cap for single and multi-family programs, increased targeting requirements, and decreased benefits from syndication. The Act had chilling impact on real estate; unless the Act is amended by Congress in future years to reduce these restrictions, these indirect incentive programs will never again produce the level of housing previously seen. Additionally, direct expenditure housing programs designed to serve the very low and low income groups were considered to be very expensive to operate and in the wake of tremendous budget deficits will not be revived.

The indirect housing assistance programs designed to serve the low, moderate, and middle income groups have been restricted by the Tax Reform Act to serving more lower income households, but without the direct federal subsidies of past programs. Each one of the 50 states must now determine how to respond to the pressing housing need at the very low, low and moderate income level.

III. FINAL REPORT

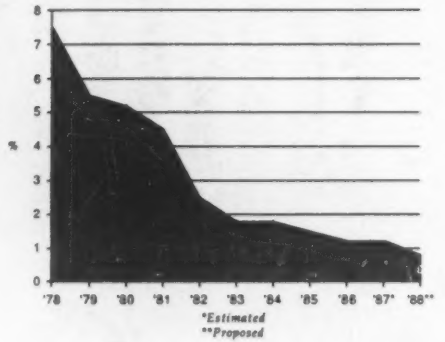
Out of the original four Committees, the fourth, Mortgage Insurance, was combined with the New and Existing Programs Committee and the recommendations on the issue are included in that committee's work. The report of the New and Existing Programs, Regulatory Reform and Finance and Funding Committees follow.

Figure A

BUDGET AUTHORITY OF HUD, AS A PERCENTAGE OF THE TOTAL FEDERAL BUDGET, 1978-1988

Housing's share of federal budget declines. Budget authority for the Department of Housing and Urban Development, which accounted for 7.4% of the total federal budget in fiscal 1978, is proposed to be less than 1% in fiscal 1988.

Source: Budget of the United States Government, FY 1988



Chapter Two

FINAL COMMITTEE REPORT: NEW & EXISTING PROGRAMS

I. RENTAL PRODUCTION: STATE APARTMENT INCENTIVE LOAN "SAIL" PROGRAM

Background

There currently exists a shortage of affordable rental housing in Florida. The problem is most acute for low and moderate income renters. The scope of the problem is broad, as shown by these figures:

- There is an immediate shortage of 43,000 low income rental units;
- A need for 35,000 new moderate income and 6,000 new low income apartments each year to the end of this century;
- There are 70,000 units without adequate plumbing; and
- One in five tenants is presently paying a disproportionate share of their income toward rent.

Cutbacks in federal rental subsidy programs over the last seven years have increased this problem. The Tax Reform Act of 1986 reduced tax incentives for rental housing production, which further exacerbated the shortage.

Florida's tax-exempt bond program, which fully met the moderate income apartment demand in 1985, was also harmed by the 1986 Tax Reform Act. The new federal law increased very low income targeting to such a degree that tax-exempt projects are no longer economically feasible without additional subsidy. This program which produced over 30,000 new units in 1985, only produced under 2,500 in 1987.

Population growth, particularly the increase of families in service related industries, will continue to stimulate a critical need for new apartment development. If present trends continue, rents will accelerate with an extreme impact on the buying power of moderate income families and a devastating impact on low income families.

Existing programs contain valuable, but inadequate incentives for apartment production. Analysis of other states, most importantly Maryland and Massachusetts, show that a relatively small investment of State funds using existing resources will provide an adequate incentive for private sector rental production.

A. Issue: Should Florida Commit State Resources To A Rental Production Program?

1. The existing shortage of affordable rental housing is severe.
2. Present trends will dramatically increase the problem.
3. Existing programs are, by themselves, inadequate to address the problem.
4. Today, rental housing can be produced at a total cost of $40,000 to $50,000 a unit; as the problem increases, so will the cost per unit (and the related cost of State action).
5. Florida's continued economic prosperity, particularly in the service sector, is directly linked to an adequate supply of affordable rental housing.
6. Massachusetts and Maryland have shown that State funds can be cost effectively invested to provide adequate incentives for production of low and moderate income rental housing by private developers.

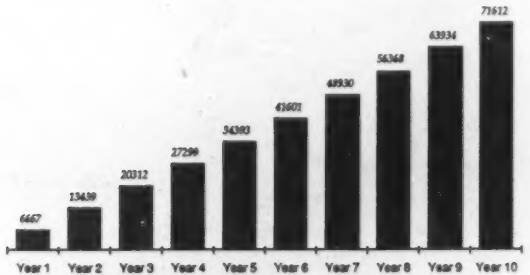
RECOMMENDATION

1. ***Florida should create a new program which commits State resources to stimulate the construction or substantial rehabilitation of rental housing. The program could be called the State Apartment Incentive Loan, or "SAIL" Program.***
2. ***The "SAIL" program should produce $300 million, or 6,000 units of housing annually, providing shelter for an estimated 18,000 persons. To accomplish this an investment of $40-$50 million of State monies is required each year, thus achieving a 5-1 leveraging.***
3. ***Program Goals:***
   - ***encourage use of existing federal tax incentives***
   - ***stimulate maximum production with minimum State subsidy***
   - ***use of State funds as loans, not grants***
   - ***required local government contribution***
   - ***assisting low income tenants in mixed income setting***
   - ***use of the private sector including non-profits, as the production delivery vehicle***
   - ***put additional units into service***
4. ***Program Design:***
   - ***agency/developer determine maximum mortgage payment possible from rents on project, taking into account rent loss from low income units***
   - ***developer obtains first mortgage in this amount***
   - ***remainder of project cost funded by combination of developer equity, local government contribution, and second mortgage from "SAIL" Program.***

Figure B

STATE APARTMENT INCENTIVE LOAN (SAIL)
RENTAL PRODUCTION PROGRAM

TEN YEAR CUMULATIVE TOTAL OF UNITS IN SERVICE



- *Assuming a unit cost of $45,000 to build today and a 5% cost increase each year*
- *Assuming a $40-50 million state investment each year*

B. Issue: Limit On State Subsidy

1. The State subsidy should come in the form of a low interest second loan.
2. The subsidy could be limited by either a maximum per unit and/or per project.

RECOMMENDATION

1. ***Limit subsidy per unit to the minimum necessary to make the project economically feasible given 20% of the units rented to very low income tenants.***
2. ***It is expected that no more than 25% of a project's costs should be provided through a "SAIL" loan; however it should be recognized that certain target groups such as farmworkers may need a larger amount of State assistance.***

C. Issue: Income Targeting

1. The greater the income targeting required, the greater the cost to the State.
2. Project economics are enhanced by inclusion of some middle - higher income tenants.
3. A project with residents of a mixed income is desirable from a social and economic viewpoint.
4. Very low income citizens should be served by this program, but cannot be its primary focus in a cost effective program.

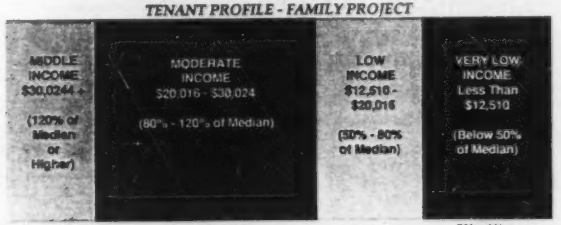
RECOMMENDATION

1. ***If developer uses tax-exempt financing for the first loan, require that 20% of the tenants have incomes below 50% of local median, adjusted for family size.***
2. ***If a developer uses taxable/conventional financing for the first mortgage, require that 20% of the tenants have incomes below 50% of the State or local median (whichever higher), without family size adjustment.***
3. ***No restrictions should be placed on other tenant's incomes.***

Figure C

STATE APARTMENT INCENTIVE LOAN (SAIL)
RENTAL PRODUCTION PROGRAM
$10 Million - 200 Unit Project

TENANT PROFILE - FAMILY PROJECT



- Based on Family Size of 3
- Based on Statewide Median Income

D. Issue: Local Government Contribution

1. Local government has a responsibility to assist in the provision of affordable housing.
2. Local government contribution could be mandated or rewarded.
3. Local government contribution can take many forms, including cash, land, fee waivers, density bonuses, and other items such as, but not limited to those listed in 420.604(c), Florida Statutes.

RECOMMENDATION

1. ***A minimal threshold of local government participation should be stated and required.***
2. ***The scoring system for distribution of State funds should reward higher levels of local government contribution.***
3. ***The program goal should be to obtain 5%-10% of project cost in the form of local government contribution.***

E. Issue: Private Sector Involvement

1. State and local governments are not equipped to directly produce housing efficiently.
2. For-profit developers have the expertise necessary to produce rental housing at the levels required in Florida.
3. Non-profits, while presently not major producers of housing in Florida, can (with effective training and expertise) be successful developers of affordable housing.
4. The recommended scoring system for this program rewards non-profit sponsors, who should be able to produce housing at a lower cost and are more likely to receive local government contributions.

RECOMMENDATION

1. ***State funds should provide the incentive for private sector developers to produce the needed rental units.***
2. ***Both for-profit and non-profit developers should be encouraged to participate in the program. Joint ventures between these groups should be encouraged.***
3. ***"SAIL" funds should be targeted by user groups (elderly, farmworkers, etc.), not by type of provider (profit or non-profit).***
4. ***Non-profits should be treated equally in terms of loan underwriting/credit evaluation.***
5. ***Other State programs should provide development training to non-profits.***

F. Issue: Tax-Exempt/Conventional Financing

1. Generally, tax-exempt financing of the first mortgage will produce a lower interest rate than conventional financing, thus reducing the amount of State subsidy required for each project.
2. Some projects may not be large enough for cost-effective use of tax-exempt financing, or may find below market rate loans from another source.

RECOMMENDATION

1. ***Developers should be allowed to use the most cost-effective source of first mortgage financing, whether tax-exempt bonds or conventional financing.***
2. ***The program scoring system should heavily reward projects using the lowest State subsidy per project, therein rewarding developers with the lowest possible effective first mortgage interest rate.***

G. Issue: Rent Limits On Low Income Units

1. The program will require 20% of the tenants to be very low income.
2. Rent limits would significantly increase the amount of required subsidy and would serve as a disincentive for private sector participation.
3. Rents must be affordable for the developer to fill the required 20% very low income units.

RECOMMENDATION

The State should not implement rent controls on units produced in the program.

H. Issue: Other Targeting

1. The demand for low income apartments is divided almost equally between families (53%) and the elderly (47%).
2. Families and young singles make up almost all of the moderate income rental market.
3. Past experience in the Section 8 new construction program has shown that developers, if given the choice, tend to build low income housing for elderly persons rather than families.
4. Farmworkers are a group that have severe housing problems that are not currently being addressed in an adequate manner.

RECOMMENDATION

1. ***The program's goal should be a 50%-50% division of the low income units between family and elderly housing. This set-aside should be for a time-limited (six-month) period.***
2. ***Ten percent (10%) of the "SAIL" funds should be set-aside for a six-month period for use by developers of farmworker housing.***
3. ***No discrimination against families with children should be permitted, except in projects or portions of projects designed for all-elderly occupancy.***
4. ***All set-aside targeting should be for time-limited (six-month) basis, after which time all funds would be available to any eligible developer throughout the State.***

I. Issue: Type Of Housing Produced

1. The most critical need in Florida is to add units to the housing stock.
2. New construction or substantial rehabilitation achieves the goal of increasing the number of affordable units.
3. Moderate rehabilitation, while cosmetically attractive, most often simply improves already affordable units.

RECOMMENDATION

The program should provide State loans to developers of new housing or housing requiring substantial rehabilitation.

J. Issue: Form Of State Assistance

1. Project feasibility could be enhanced by:
   - An up-front second loan at reduced interest rate
   - An annual loan to cover operating losses
   - Rent subsidies to tenants

RECOMMENDATION

State monies should be used to provide up-front second mortgage loans to developers at reduced interest rates. Example:

• $10 million cost	
• $50,000/unit	
• 200 units	
• Average rent of $450/month	
• Tax-exempt financing at 7.25%	
• Net Operating Income	$ 600,000
• First Mortgage	7,200,000
• Shortfall	2,800,000
Developer Equity	800,000
Local Government	500,000
State Loan	1,500,000
• Annual Cash Flow	600,000
• Annual Debt Service	520,000
• Annual Surplus	80,000
• 6% Return of Equity	48,000
• Available for interest on State Loan	32,000 or 2%
• Leveraging	6.7/1.0

Figure D

STATE APARTMENT INCENTIVE LOAN (SAIL) RENTAL PRODUCTION PROGRAM
$10 Million-200 Unit Project

LEVERAGED FUNDING FORMULA

- *One time investment of a $7,500 State Loan per unit*
- *20% of all units produced will be made available on an ongoing basis for very low income residents*

K. Issue: Loan Terms

1. State loans should provide the maximum rate of return while insuring project viability.
2. State loans should be time-limited, but should insure/encourage continued provision of low income units.

RECOMMENDATION

1. *The legislation should allow flexible loan terms.*
2. *State loans should be for a minimum of five, but no more than fifteen years.*
3. *The 20% low income requirement should be required for the length of the State loan. The scoring system will reward developers that agree to longer restrictions.*
4. *The loan should be due at project sale or refinancing.*
5. *A suggested loan structure would include:*
   - *A 3% base interest rate paid annually if cash flow permits.*
   - *A 6%-8% maximum interest rate paid annually if cash flow and developer return-on-equity requirement permits, or deferred until sale/refinancing and paid from appreciation in value of project.*
   - *A first mortgage plus a State funded second mortgage should be less than the value of project without low income land use restriction.*

L. Issue: Scoring System

1. It is anticipated that competition for the State loans would be strong, thus requiring a scoring system.
2. The system should establish minimum criteria for each application, and establish a point scoring system that rewards applicants who best carry out the program's goals.

RECOMMENDATION

1. *Minimum requirements for submission should include:*
   - *demonstrated project feasibility without State funds after 15 years*
   - *project requires no more than maximum allowable State loan*
   - *developer with no delinquencies or defaults on other HFA or DCA loans*
   - *evidence of local government contribution*
   - *expression of interest by first mortgage lender (with firm commitment required within six months of selection)*
   - *site control, developable site, proper zoning, and utility availability*
   - *adequate level of experience for development team*
2. *Scoring system should reward:*
   - *higher levels of local government contribution (up to 10% of project cost to maximum points, with a geometric progression in scoring system) including all regulatory reform suggestions*
   - *higher leveraging of State funds*
   - *minimum State dollars/total units produced*
   - *ability to proceed quickly to construction*
   - *longer length of commitment to maintain low income units*
   - *higher percentage of low income units (up to 30%) without increasing State subsidy*
   - *provision of three and four bedroom units*
   - *commitment of permanent financing*
   - *equity contribution by developer*
   - *project feasibility*

M. Issue: Geographic Distribution

1. The Affordable Housing Demonstration Loan Program showed that inadequate levels of funding inhibit developers of projects large enough to achieve economic feasibility (economy of scale) from participation.
2. Private sector developers will not participate in a program that allows only very small projects to be built.
3. Given the likely level of funding for this program, extensive geographic targeting (counties or regional planning districts) would severely hamper the program's viability.

RECOMMENDATION

1. ***Target funds for a six month period to no more than three regions.***
2. ***No other targeting should be applicable to each region.***

N. Issue: Necessary Level Of Funding

1. Project feasibility is directly related to project size (assuming equal levels of government subsidy). Fixed costs of marketing, maintenance and management make very small projects less economically viable. Therefore, a $100,000 of State loan is not 10% as effective as $1,000,000 State loan.
2. The program should allow for projects of any size; however, a realistic analysis of project economics shows that developments of less than 150 units are significantly less viable (with other factors equal).
3. Therefore, funding should be provided at a level sufficient for projects of 150 units to be built in each area for which funds are targeted.
4. The "SAIL" program will likely be linked to the valuable federal subsidy of tax-exempt bond financing. The State HFA has annual housing bond volume of $150 million, with local bond allocation at $360 million (for all purposes, including housing).
5. The "SAIL" funding should be adequate to leverage at least $250-$300 million of tax-exempt bonding authority.

RECOMMENDATION

1. ***Appropriate $40-$50 million per year for the "SAIL" loans, thus producing $300 million of housing annually.***
2. ***Target at least $7,000,000 of "SAIL" funding to each geographic area to be served.***
3. ***All set-asides should be eliminated at minimum funding levels.***

II. HOMEOWNERSHIP ASSISTANCE PROGRAM

Background

Moderate income first-time buyers find it increasingly difficult to afford the jump from tenant to homeowner. Higher rents make saving more difficult. At the same time, the cash required to close a home loan has increased significantly. The additional cash requirements lock many first-time buyers out of the market, buyers that could afford the monthly payments but not the down payment, insurance premium, and other closing costs.

Although interest rates have declined significantly in the last five years, stricter underwriting standards have all but eliminated the benefits to first-time homebuyers of lower rates. For example, some eligible and generally credit worthy applicants to the HFA's first-time homebuyer loan program are unable to participate in the loan program due to the requirements that are now needed to close a loan. The cost of private

mortgage insurance has risen markedly along with the minimum required downpayment. In response to increased foreclosures, mortgage insurers have tightened their underwriting standards and the five percent downpayment, conventional loan has effectively disappeared.

The debt-to-income ratio allowed by mortgage insurers has decreased in the last five years from 33 percent monthly and 38 percent total debt, to the current ratio of 25 percent monthly and 33 percent total debt. Many first-time homebuyers no longer qualify under the new guidelines since young, first-time homebuyers are often more dependent on credit than they once were. Therefore, the average debt-to-income ratio of homebuyers is higher now than it was five years ago.

Housing costs have also risen at a significantly higher rate than real income. In effect, five years ago a typical first-time homebuyer with an annual income of $20,000 could afford a $64,000 mortgage (13% mortgage rate.) Using today's insurance underwriting guidelines, and a 10% mortgage rate, that same family could still only afford a $44,000 mortgage (with a likely downpayment of 10%, as opposed to the previously available 5%). Therefore, the benefits of the significant drop in interest rates have been negated by the tighter credit underwriting standards.

The HFA's home mortgage bond program has, and continues to be, an effective tool in assisting first-time buyers to purchase a home, with over $700 million in loans made since 1982. The ability of the program to reach lower income homebuyers is negatively impacted by the above-referenced up-front cash requirements, the more restrictive private mortgage insurance standards, and by an increasing reluctance by lenders to bear the financial risk of loan non-origination.

A. Issue: Should Florida Commit State Resources To A Homeownership Assistance Program?

1. First-time homebuyers are growing dramatically in number.
2. Present trends make it increasingly difficult for low and moderate income first-time buyers to purchase a home.
3. The problem centers on a lack of up-front capital to pay higher downpayments, insurance premiums and other closing costs.
4. Mortgage rates are not presently a major problem for low and moderate income buyers, particularly those utilizing tax-exempt bond program loans.
5. The HFA's homeownership bond program is an effective vehicle for helping first-time buyers, particularly when utilizing FHA mortgage insurance (smaller down payments, more liberal credit underwriting, and a mortgageable insurance premium).
6. Minor problems with the bond program hamper its effectiveness, including total cash required at closing still too high for low-income buyers, a 2% shortfall in FHA insurance coverage, and an increasing reluctance by lenders to bear non-origination risk (inability to make loans with bond proceeds and recover up-front commitment fee.)

RECOMMENDATION

1. ***Florida should commit State resources to the Florida Housing Finance Agency's homeownership bond program to improve its ability to serve low and moderate income first-time homebuyers.***
2. ***The homeownership program should provide $150 million of financing annually, enough to house 3,000 families (estimated 6,000-7,000 people). To accomplish this, a commitment of $4 million of State funds is needed each year, thus achieving leveraging of over 35-1.***

3. ***Program Goals:***
   - ***reduce the up-front cash costs to 5% for low income homebuyers***
   - ***facilitate the use of the FHA insurance on bond loans***
   - ***use State funds as second mortgage loans to homebuyers (to be used to pay part of downpayment and closing costs)***
   - ***use State funds to establish loan loss insurance reserve to cover 2% FHA shortfall***
   - ***use State funds to assume part of loan non-origination risk***

B. Issue: Maximum Subsidy (Loan) To Homebuyer

1. Program goal is to reduce out-of-pocket costs to 5% for low income homebuyers.
2. Utilizing FHA insurance, out-of-pocket costs are approximately 8% (3% downpayment, 3.5% origination fees, plus closing costs).
3. Given a $150 million program with 50%-60% of the homebuyers eligible for these loans, $2.5 million would be necessary each year.

RECOMMENDATION

1. ***Limit subsidy (in form of loan) to difference between 3% downpayment 3.5% origination fees/actual closing costs and 5% (low income buyers).***
2. ***Commit $2-$3.5 million of funding each year.***

C. Issue: Income Targeting

1. Federal law limits loans made with proceeds of tax exempt bonds to families earning under 115% of State or local median income, whichever is higher ($31,970 for Florida)
2. Out-of-pocket expenses harm low income buyers the most.

RECOMMENDATION

Limit subsidy to families earning under 80% of median income (State or local, whichever higher).

D. Issue: Local Government Contribution

1. Local government contributions are difficult to obtain on a homebuyer-by-homebuyer basis.
2. It is very difficult to target bond proceeds to specific cities (up to borrower where they want to live).

RECOMMENDATION

No local government contribution should be required.

E. Issue: Coordination With HFA Bond Program

1. The purpose of a homebuyer assistance loan is to improve the existing HFA bond program.
2. The bond program has a built-in delivery system for making second mortgages.

RECOMMENDATION

Limit this program to use with HFA bond loans.

E. Issue: Sales Price Limits

1. Credit underwriting provides an effective limit on the sales price that low income homebuyers can afford.
2. The subsidy (loan) will not cover increased downpayments required on more expensive homes.
3. Federal law already limits the sales price on bond financed homes to 90% of the area average price.

RECOMMENDATION

No additional sales price limitations should be imposed.

G. Issue: Form Of State Assistance/Loan Terms

1. FHA insurance allows governmental bodies to loan downpayments/closing costs to homebuyers.
2. The State should receive a fair rate of return while preserving affordability.

RECOMMENDATION

1. ***The State assistance should be in the form of a second mortgage loan, with the HFA given flexibility in setting the specific terms.***
2. ***A recommended loan structure would include:***
   - ***deferred payments for 3-5 years***
   - ***3% interest rate***
   - ***amortization over 10 year period***
   - ***due at sale or refinancing***

H. Issue: Improved Ability For Use Of FHA Insurance On HFA Bond Issues

1. FHA mortgage insurance provides significant advantages for low and moderate income homebuyers:
   - less restrictive credit underwriting standards
   - one-time mortgage insurance premium, which can be mortgaged (as opposed to expensive yearly fees charged by private mortgage insurance companies)
   - lower downpayment requirements (3%-5% compared to 10%)
2. Bond issues are enhanced by the security of FHA as a federal agency.
3. FHA insurance, however, has a shortfall in payments of approximately 2% (pays 99% of mortgage, plus delay in timing of payment).
4. This shortfall makes it difficult to fully utilize FHA insurance in bond programs.

RECOMMENDATION

1. ***State funds should be used to cover this shortfall of FHA insurance, in an amount sufficient to achieve a bond rating (less than 2%, as any worst case default scenario is not at the 100% level).***
2. ***State funds should be placed in an insurance escrow, and could be released as the bond issue revenues became sufficient to cover shortfalls.***
3. ***Approximately $1.5 million of State funds should be committed to this insurance reserve, with future funding a function of loan losses.***

I. Issue: Methods To Improve Lender Participation In Program

1. When selling bonds, the cost of issuing the bonds is paid by the lenders participating in the program.
2. The costs normally range from 1.5%-3.0%, and are recovered in the form of an

origination fee charged to the homebuyer, when and if, loans are originated.

3. Therefore, the risk of non-origination rests with the lender. In a volatile interest rate market, a downturn in rates shortly after the bond sale can occur, with significant monetary loss by the lender.
4. Lenders receive a 1.5% origination fee, above recovery of the cost of issuing the bonds. This fee is not large in comparison to lender risk; the fee cannot be raised without further inhibiting program participation by low and moderate income buyers who already have problems with up-front cash requirements.
5. Lender participation has decreased in recent issues, resulting in less than adequate program availability in some areas. Lender participation could be increased if non-origination risk were shared.

RECOMMENDATION

1. ***The State HFA should be authorized to use Agency funds to pay a portion of the cost of issuing bonds, thus sharing non-origination risk (Agency would recover costs from homebuyers as loans are originated).***
2. ***The State HFA should allow lenders to share non-origination costs with homebuilders, by permitting a portion of bond funds to be subcommitted to specific builders.***
3. ***The annual cost (recoverable) to the HFA would be less than $1.5 million.***

III. AFFORDABLE HOUSING DEMONSTRATION LOAN PROGRAM

Background

In 1986, the legislature created the Affordable Housing Demonstration Loan Program to encourage the production of housing for very low, low and moderate income citizens. State funds can be used for construction and/or permanent financing of rental or for-sale housing. The State funds are loaned as a 0%-3% second mortgage for up to one-third of a project or home's cost. The benefit of the reduced interest rate must be passed through to the renter or homebuyer.

$2.7 million was appropriated for loans to be made in five demonstration areas. Applications were solicited from each area, with a public purpose analysis by DCA and an economic feasibility evaluation by the HFA (who makes the loans). To apply, applicants had to show a contribution by local government. Another $500,000 was made available to the HFA for loans to very low and low income homebuyers (not linked to the demonstration areas).

Issue: Should Florida Continue This Program?

1. Funds available were not sufficient for economically feasible projects to be built ($440,000 x 3 = $1.3 million or 30 units).
2. Private sector developers have generally avoided the program due to lack of sufficient incentives (problem with potential total project size, not the 33% of project cost limit).
3. Only 13 complete and timely applications were received, with no competition in 3 of the 5 demonstration areas (single applicant in two, two applicants requesting combined loans under $440,000 in a third).
4. The best applications avoided the scale of a project problem by providing for sale housing (no rentals).
5. Most applicants had heavy contributions from local government (land, CDBG, Surtax loans) which insured affordability of units.
6. Several of the best applications joint-ventured with private developers.
7. The quality of many applications was poor; the initial economic feasibility analysis indicates that loan approvals could be difficult.

8. The heavy local government contribution may be possible on a very limited basis, it may not be reproduced on a large scale.
9. The better applications requested 18%-33% of project costs from State loans (most 28%-33%).
10. Very low income persons generally cannot afford to buy a home, even with 33% of the mortgage at a 0% interest rate.
11. Low income persons (50%-80% of median) can benefit from the homeownership program.
12. A successful part of this program was the contribution of public land. This has also been a key in other states' successful programs.

RECOMMENDATION

1. ***Sufficient funds should be made available on this type of program to insure private sector participation and economically feasible rental projects.***
2. ***The Affordable Housing Demonstration Loan Program should be continued in the form of the proposed "SAIL" rental production program.***
3. ***The inventory and analysis of public lands should be continued.***

IV. SITE ACQUISITION AND PREDEVELOPMENT LOAN PROGRAMS

Background

In the 1970's, the State recognized that many non-profit developers of FmHA projects lacked sufficient capital for expenses required prior to the FmHA funding. Accordingly, a revolving loan fund for site acquisition and predevelopment costs for rural projects was established (1974). The program has had mixed success, due in part to inadequate evaluations of sites/developers prior to loan commitments. Subsequently, a similar program of loans and grants for farmworker housing was combined with the rural loan program (1985). In its 1986 session, the legislature created two additional site acquisition and predevelopment loan programs — one for projects sponsored by Community Based Organizations and one for developers of mobile home parks which relocated low income residents evicted from another park due to a land use change.

Issue: Should This Program Be Continued/ Improved?

1. No reduction in rent levels compared to for-profit developments have been observed in projects financed.
2. Inexperience of the non-profits leads to lengthy time delays.
3. Boards of non-profits often have little understanding of their role/responsibility.
4. Consultants help to create non-profits who apply for funds and pay administrative fee to consultant (without housing being produced).
5. Staff of non-profits are often inexperienced, leading to significant time delays.
6. Permanent allocation of funds to specific categories leads to supply/demand imbalance.
7. Three separate statutes, rules and funding cycles are inefficient.
8. Foreclosed land cannot be easily disposed of to another developer interested in producing low-cost housing.
9. Confusion exists concerning whether primary legislative intent is to build housing or train non-profits.
10. Combinations of inexperience, time delays, and other problems may actually lead to increased cost of housing.

RECOMMENDATIONS

1. ***The programs should be continued, but should be combined under a single statute, rule and application process.***
2. ***Set-asides for specific groups (rural, farmworker or other) should be for time-limited period each fiscal year.***
3. ***Projects should be allowed in all geographic areas.***
4. ***For-profit developers should be allowed to participate.***
5. ***Non-profit training should be increased.***
6. ***The program should reward linkage with other programs.***
7. ***Grants should be replaced with loans.***

V. LOW INCOME RENTAL HOUSING TAX CREDIT PROGRAM

Background

The Federal Tax Reform Act of 1986 severely reduced some tax law incentives for the production of rental housing (syndication and accelerated depreciation). In an attempt to continue production of low income rental housing, the Tax Reform Act created tax credit for developers of such housing. To qualify for the tax credit, a developer must build, rehabilitate or acquire a project and set-aside at least 20% of the units for households earning less than 50% of median or 40% of the units for households earning less than 60% of median (both adjusted for family size). Rents to low income tenants are limited to 30% of the maximum qualifying income by family size minus utility allowance.

Example: *Escambia County - 2 bedroom, family of 3, rent limit is $296 ($346 minus $50 utility allowance).*

The annual value of the credit is equal to 9% (new construction, rehabilitation) or 4% (all acquisition, new construction or rehabilitation of federally assisted projects) of the cost (minus land) of the low income units' construction, rehabilitation, or acquisition cost. "Federally assisted" includes FmHA loans and tax exempt financing, but does not include Section 8 rent subsidies. Acquisition tax credits are limited to projects at least 10 years old, with only a single owner allowed in the 10 years prior to acquisition by the new owner.

The tax credit is received for 10 years, while the low income requirement is for 15 years. The tax credit can be syndicated to corporations and to individuals with incomes less than $250,000. Each State's allocation of tax credit is $1.25 per person for each year through 1989. For 1987, that amount is approximately $14 million. To receive a tax credit allocation, the project must have been placed in service or acquired in the year of the tax credit allocation.

Issue: How Can The Program Be Improved By The State?

1. As this is a federal program, little can be done by the State to change its basic format.
2. Most projects utilizing the tax credit are receiving other federal subsidies.
3. Tax-credit projects have served areas not served by the tax-exempt bond program (rural areas).
4. Tax credits do not replace syndication proceeds available under the pre-1986 federal tax law.
5. The full tax credit allocation will not be used without further State or local subsidy.

RECOMMENDATION

1. ***The federal government should be encouraged to increase the subsidy available for each project in order to provide an adequate incentive for development of low income housing.***
2. ***The HFA should continue to promote the use of the tax-credit.***
3. ***Developers in the "SAIL" rental production program should receive automatic allocations of the tax credit.***

VI. POCKETS-OF-POVERTY PROGRAM

While evaluating potential areas for the Affordable Housing Demonstration Program, it was found that most data is compiled on a county-by-county basis. If "need" is based on the county data, certain high need communities within relatively affluent counties are not identified. The two most obvious examples were the agricultural communities of Belle Glade and Immokalee located, respectively, within the high income Palm Beach and Collier Counties.

The legislature sought to target some affordable housing funds to this type of area by creating the "Pockets-of-Poverty Program" during the 1987 session (funding for Belle Glade only). State grant funds are made available to county government who distributes to governmental or non-profit housing sponsor. The county must also develop a local comprehensive farmworker plan.

Issue: Should This Program Be Continued? Improved?

1. This program, while attempting to serve a high need group, violates the basic principles for use of State funds conceived by this Commission.
2. Specifically, the program:
   - uses grants, not loans
   - prohibits private sector for-profit participation
   - allows high (10%) administrative expenses
   - Requires very little leveraging of State funds (80% of project cost can come from State)
   - does not require local government contribution

RECOMMENDATION

1. ***Program should be eliminated as presently structured.***
2. ***Funds should be used in more cost effective manner to serve farmworkers, who are in need of assistance.***
3. ***Farmworkers should receive a set-aside of "SAIL" funds.***

VII. SUMMARY OF RECOMMENDATIONS; NEW AND EXISTING PROGRAMS

A. A rental production or "SAIL" (State Apartment Incentive Loan) Program should be created with annual funding of approximately $40-$50 million.

B. The HFA's homeownership program should be improved to aid low and moderate income homebuyers, by:
   - **use of State funds for downpayment and closing cost loans (approximate annual cost: $2.5 million of state funds, $1.5 million of HFA funds)**
   - **use of FHA mortgage insurance (initial insurance reserve of approximately $1.5 million)**

C. The Affordable Housing Demonstration Loan Program should be replaced by the "SAIL" program.

D. **The three site acquisition and predevelopment loan programs should be combined into a single program.**
E. **The Low Income Rental Housing Tax Credit Program should continue to be promoted.**
F. **The Pockets-of-Poverty Program should be eliminated in its present form, with a farmworker set-aside in the "SAIL" program.**

Chapter Three

FINAL COMMITTEE REPORT: REGULATORY REFORM

I. THE COMPREHENSIVE PLANNING PROCESS

Background

The Florida State Comprehensive Plan was adopted by the Legislature in 1985. It established goals and accompanying policies aimed at increasing Florida's affordable housing supply. The key goal pertaining to housing directs that "public and private sectors shall increase the affordability and availability of housing for low income and moderate income persons. . . " The Florida Affordable Housing Act of 1986 sought to further the goal by encouraging the use of various incentives and elimination of several disincentives that can affect the cost and supply of low and moderate income housing.

Pursuant to the Local Planning and Development Regulation Act, cities and counties must include a housing element in their local comprehensive plans. The DCA Rule 9J-5, authorized by section 163.3177 (9) of the Act, reflects the minimum criteria by which the Department will review local plans for state certification. Chapter 163, F.S., specifies requirements for a local plan housing element. This element must be coordinated with other plan elements. It must be economically feasible and internally consistent. The plans must also include policy recommendations for plan implementation.

What will be crucial to the consideration and implementation of the housing elements within the comprehensive plans, will be financial assistance for local government or incentives for them to accomplish these stated goals and policies. This may need to occur through authorization for local government to tax their communities or authorization of a state tax to be returned to local government for the purpose of infrastructure and housing.

A. Issue: Housing Element

1. Under the Comprehensive Plan, many areas must be addressed that are considered much more significant than housing.
2. The Commission feels the issue of housing needs to be elevated to equal if not higher levels as environmental and economic issues, as without housing there is no economic base in a community to contribute to resolving environmental concerns.
3. The State should be responsible for emphasizing the importance of housing through the enforcement of the Comprehensive Plan by the Department of Community Affairs.

RECOMMENDATION

1. ***Resources and personnel should be made available that will ensure a quality review of the housing element of the Comprehensive Plan.***
2. ***The State Comprehensive Plan's goals should be amended to recognize housing as a high priority.***

B. Issue: Set-Aside

1. With the recent advent of the Growth Management Act and comprehensive plans, community planning is becoming more critical statewide.
2. Capacity for water and sewer has become a major concern within many

communities of the state. In large metropolitan areas and small communities, moratoriums have been called on building, due to lack of service availability.
3. When building is halted, it affects everyone within the community.
4. Incentives should be provided by the local government in an effort to encourage developers and builders to assist in meeting the housing element within their comprehensive plan, thereby creating affordable housing.

RECOMMENDATION

Local government should set-aside capacity for utilities, services, and transportation for affordable housing units in an effort to meet their housing element and provide affordable housing for their communities.

C. Issue: Waiver Of Concurrency Requirement

1. In isolation, the state planning process contains strong language encouraging affordable housing. Consistency is currently mandated as well. Local regional and state plans must contain a housing element.
2. Adequate housing is just one of the essential services local governments must plan for, finance and maintain. Local governments must also prepare elements addressing: water, transportation, stormwater and wastewater programs, recharge areas, health care, the environmental concerns, jails and hurricane evacuation.
3. Meeting the requirements to provide these services is costly, and local governments are ultimately responsible to pay for them. According to the statutes:
   "It is the intent of the legislature that public facilities and services needed to support development shall be available concurrent with impacts of such development." S163.3177(10)(h)
4. Local governments are already behind in meeting their present infrastructure needs. It will be difficult for them to provide the infrastructure essential to future development.
5. If stated levels of service are not met and infrastructure development is not concurrent, no permits are to be issued by that locality.
6. Many communities will depend on new development to pay the way using new taxes and impact fees. It is evident that without the growth, even existing systems cannot be maintained.
7. Although the lack of infrastructure will effect all construction, the effect on "affordable housing units" will be severe.

RECOMMENDATION

1. ***The term "concurrency" should be defined within the law to identify and quantify its effect on housing.***
2. ***When a community is planning for its infrastructure needs, capacity should be set-aside for "affordable housing".***
3. ***When considering "quality of life issues", during the review of comprehensive plans, the State should be given the right to balance the appropriate concerns and adjust the concurrency requirements. It would be considered especially appropriate in those developments where it is felt the "public purpose" of providing affordable housing overrides the issue of level of service.***

D. Issue: Joint Venture

1. Financial assistance will be vital for the implementation of the comprehensive plans. This can occur through the authorization for local taxation or through dollars distributed at a state level back to local governments.

2. Prior to being eligible for these funds, local communities should exhaust all their local alternatives to provide affordable housing prior to looking to the state for additional dollars.
3. They should use all their resources to accomplish this, such as donating available land, replacement of impact fees, providing infrastructure to encourage the construction of affordable housing.
4. As an example, participation in the Joint Venture program established by the National Association of Home Builders/Housing and Urban Development would be a show of these efforts.

RECOMMENDATION

If state programs are developed that would provide funding to local government, the ability to receive funds should be based on the communities' efforts toward addressing the housing element of their comprehensive plan.

E. Issue: Workable Program

1. Federally, recommendations which were adopted in the Administration Housing Program and in the Housing Act of 1954, included The Workable Program.
2. The Workable Program provided that before public housing, slum allowance or FHA mortgage insurance Section 220 and 221, would be provided by the federal government, the community had to develop a plan for identifying the causes of slum and urban decay.
3. It required a community to show in its plan that it was providing for seven specific needs:
   a. Establishment of adequate standards of health and safety for housing;
   b. Undertaking of a comprehensive plan for the community's future development;
   c. Analysis of the neighborhoods in the community to identify those requiring immediate attention to blight conditions;
   d. Administrative organization capable of coordinating and carrying out a community program;
   e. Financial resources to support the locality's share of an urban renewal program;
   f. Housing resources to meet the needs of those displaced by urban renewal; and,
   h. Assurance that the community as a whole would be fully informed and have an opportunity to take part in developing and executing an urban renewal program.
4. The plan had to be reviewed each year in order for the community to continue receiving federal funds.
5. Although it was repealed in 1955 because it was burdensome, elements from it appeared throughout programs in the 60's and 70's.
6. The Workable Program was a mechanism to achieve a major part of the comprehensive approach to urban problems.
7. When reviewing the current efforts in Florida within local and state comprehensive plans, there is little assurance Housing will be considered as a significant part of the process.

RECOMMENDATION

Revive a variation "workable program" to ensure the implementation of the housing element of the comprehensive plans.

F. Issue: Density Bonus

1. With land being one of the most costly elements of housing, the density limitations a community may place within their zoning ordinances has a tremendous impact on the cost of housing.
2. By increasing the number of units allowed on a parcel of land, the cost of each unit can be decreased. This is an immediate and effective way of lowering the cost of housing.
3. Although this is regulated at a local level and at present cannot be pre-empted by the State, if the State has the opportunity to encourage the use of density bonuses for affordable housing, they should do so.
4. Another option being offered in other areas of the country, is the ability to "earn" density bonuses by building "affordable" units and transferring those bonuses to other projects or selling them to other developers.
5. While increasing densities for reduction in land cost, consideration should be given to ensuring "affordable housing" is incorporated into the development as "mixed income" units.

RECOMMENDATION

Local governments should be encouraged to use density bonuses to encourage affordable housing as well as density bonus transfers.

G. Issue: Inclusionary Zoning

1. Inclusionary zoning is used as a tool to assure a percentage of "low income" housing is provided within each development. It has also been referred to as "fair share" housing.
2. It has proven most effective within highly urbanized states (California, Maryland) where land availability is limited.
3. Inclusionary housing programs rely on their effectiveness on combined public and private initiatives for the provision of affordable housing as a part of the overall development of a community.
4. The programs also rely on state legislation and local ordinances that modify the development approval processes.
5. Whether mandatory or voluntary developers are normally offered incentives to attempt to offset cost involved in the provision of "low income" units.
6. Currently, for a program to be implemented of this nature, local government and state government must know the number of units needed within specific areas in order to facilitate a fair allocation.
7. Inclusionary zoning is currently mentioned as an alternative within the state comprehensive plan for local governments.

RECOMMENDATION

1. ***The Commission did not feel this was an area that should be acted on at this time due to the general feeling that the State should provide as many incentives as possible prior to mandating. Therefore, local governments should be encouraged to provide incentives that would encourage the construction of "affordable units" in an effort to further their housing goals.***
2. ***The Commission also felt it was important to recognize that if the incentive approach was not successful, that this is an area that should be reconsidered in terms of its appropriateness for the State of Florida.***

II. IMPACT FEES

Impact fees are regulatory tools used for capital improvements financing that involve

the application of a one-time charge on new development or redevelopment creating a demand for one or more public facilities or services. Impact fees are utilized in Florida most frequently to fund transportation and water and sewer system improvements. Impact fees are also used for parks, fire protection, police protection, and for limited other purposes. Only one local government currently utilizes each of the fees enumerated above, most employ three or fewer. Fees levied also vary widely in amount, the one common denominator being that they rarely recoup the full cost of the needed infrastructure improvement. As of early 1987, twenty counties and 62 cities in Florida applied one or more types of impact fees.

The evolution of impact fees in Florida has been guided primarily by judicial action. A series of court decisions have clearly established the authority of local governments to enact rations, reasonable impact fee ordinances. The most important of the cases relating to fees was the 1976 Florida Supreme Court case Contractors and Builders Association of Pinellas County v. City of Dunedin, 329 so.2d 314 (Fla. 1976). The opinion in this case established the basis for an acceptable fee as one that meets a so-called "dual rational nexus test".

The principles underlying the dual rational nexus test are: (1) that there be a rational relationship between the fee charged and the demand on public facilities created by the new development and that the fee charged does not exceed the net proportional cost of the new or improved facilities; and (2) that the funds generated by the fee be "earmarked", or spent in a way benefitting the residents of the new development. Two important more recent cases, Hollywood, Incorporated v. Broward County, 431 so.2d 606 (Fla. 4th DCA 1983), cert. denied, 440 so.2d 352 (Fla. 1983) and Home Builders and Contractors Association v. Palm Beach County, 446 so.2d 140 (Fla. 4th DCA 1983), have further refined and clarified the application of the dual rational nexus test.

Any additional dollars that are added to the real cost of construction creates barriers to affordable housing. To what extent will depend on the specific area and the individual situations. To what extent impact fees or user fees can be eliminated or waived for affordable housing is purely a legal decision.

A. Issue: Alternative Methods Of Payment

1. A sound and convincing argument can be made against the legality of exempting affordable housing projects from paying impact fees. Also, under existing legal guidelines, impact fees clearly cannot legally be applied for purposes not related to the stated purpose for their collection.
2. An impact fee ordinance and its application must meet the dual rational nexus test to withstand judicial scrutiny. Government regulations need to be applied uniformly if equitable treatment under the law is to remain a valued principle.
3. Communities have been able to side step this requirement by waiving the fee to the developer when the city was able to earmark federal, general revenue, or local funds to replace the fee the developer would have paid.

RECOMMENDATION

1. ***Encourage local governments to pay impact fees out of local or federal funds on affordable housing units.***
2. ***Adopt legislative language that would allow for impact fees to be waived by a local community for affordable housing.***

B. Issue: Codification Of Impact Fee

1. Currently there are not specific legislative guidelines associated with impact

fees. Although references to impact fees are made within the growth management act, all guidelines that currently exist are based on court cases and findings.

2. With this legislative void, impact fees are being created to deal with a wide range of needed services.
3. In Hillsborough County alone these fees add up to almost $6,000 per unit. These fees are obviously added to the cost of all housing which effects "affordable" units disproportionately and are not generating the funds necessary to provide infrastructure for the community.

RECOMMENDATION

1. ***Support legislation to codify impact fees and provide guidelines and standards by which they are to be implemented.***
2. ***The legislation should contain language that would allow for waiving impact fees on housing determined to be "affordable" by the definition provided by the Commission.***

C. Issue: Cost Of Roads

The Committee felt that with all the legitimate costs associated with housing, any cost that has been placed into the housing process that would be better associated elsewhere, should be taken out of housing cost.

RECOMMENDATION

1. ***Take the cost of roads out of the cost of housing. The cost would be better borne by the user, i.e., automobiles. More appropriate sources for paying the cost for roads are:***
   a. ***Licensing***
   b. ***Gas tax***
   c. ***Rental car tax***
2. ***The dollars collected should be used "specifically" for the hard costs involved in building roads.***

D. Issue: Lower Impact Fees

Communities may have areas in their communities where infrastructure exists that would be conducive to affordable housing units and where impact fees may not be appropriate. When developing their "rational nexus" for a fee, consideration should be given to lower fees for those areas.

RECOMMENDATION

Encourage local governments, where it is possible, to establish a rational nexus for a lower impact fee for affordable housing.

E. Issue: Credit For Exactions

Although currently, law requires credit be given for "donations" by developers to the community of fire trucks, parks, etc., it does not always occur. Because exactions do add to the cost of all housing and therefore, more severely affect "affordable units", full credit for compensation should be given.

RECOMMENDATION

Regulatory agencies, state and local government, must credit developers with any

exactions required of the developer.

III. DEVELOPMENTS OF REGIONAL IMPACT

Background

The major objectives of the DRI process are to mitigate the impacts of large-scale developments and to give adjacent local governments the opportunity to participate in the decision making process for development outside of their jurisdiction. The regional planning councils should conduct a regional impact review and formulate non-binding recommendations to the appropriate local government jurisdiction.

The regional planning councils and the Department of Community Affairs have standing to appeal to the Governor and the Cabinet when a local government development order, in either DCA or RPC, judgment fails to mitigate sufficiently a project's negative regional impacts (GMAC Study).

Committees such as The Growth Management Advisory Committee (GMAC) and Environmental Land Management Study (ELMS I & II) have made numerous recommendations to improve and streamline the DRI process. Any program changes that reduce processing time, eliminate duplication and lower the cost will make the production of affordable housing more attractive to developers.

It is important to note that although there has been much review and attention given to this process, only a small percentage of the state's residential development is subject to its review. Although the DRI program was created to benefit the developer in the sense of coordinating the permitting process, there has been much controversy since the inception of the process.

A. Issue: Substantial Deviation

1. Pursuant to Section 380.06(19) FS any change to an approved development that creates the potential for additional impact must be subject to further DRI review.
2. Current law specifically states that a 5% increase in the number of developing units or 50 dwelling units, whichever is greater, is considered to be a substantial deviation.
3. The law should allow for the change in number of dwelling units, when those units are determined to be "affordable units" without creating a "substantial deviation".

RECOMMENDATION

Modification of substantial deviation requirements to the advantage of building "affordable housing".

B. Issue: Preliminary Development Agreement

1. The Preliminary Development Agreement (PDA) authorizes partial development prior to the issuance of a final development order.
2. The PDA may authorize the development of a given percentage of an applicable DRI threshold.
3. There are distinct cumulative criteria and requirements for the preliminary developments of:
   a. 25% or less of inapplicable thresholds;
   b. more than 25%, but at or below 80% of any applicable threshold; and,
   c. above 80% of any applicable threshold.
4. To enter into a PDA that authorizes the development of more than 25%, but at or

below 80% of any applicable threshold, a developer must satisfy a set of specific requirements and demonstrate that the preliminary development is in the best interest of the state and local government.

RECOMMENDATION

Recognize "affordable housing" as defined by the Commission as a legitimate criteria within a pre-development agreement to allow the possibility for the construction for up to 80% of the threshold.

C. Issue: Incentives

1. Because of the complexity and costliness of Developments of Regional Impacts only large developers are usually inclined to use the process.
2. Since this process is considered a good planning tool, and is conducive to mixed use projects, more efforts should be taken to provide incentives for its use and to encourage developers to build "affordable units" within these projects.

RECOMMENDATION

The Department of Community Affairs should:

1. ***Develop incentives for DRI developer/builders to include affordable housing within their projects; and,***
2. ***Encourage local governments to make efforts to create an atmosphere in which this could take place through their regulatory processes.***

IV. BUILDING CODES

Background

Building code and land use regulations were originally put in place to protect the health, safety, and welfare of individuals at the turn of the century. As population increased, individual government became more involved in proposing local regulations to address local problems.

Florida building codes are regulated for the most part through the State Statutes. The State adopts a nationally recognized code in the area being regulated. The areas or codes are regulated independently, and some are uniform statewide and others are not. These codes are updated as needed by the Building Board of Codes and Standards. The codes are not regulated consistently as some allow for local amendments and others do not.

Codes are enforced at a local level by building officials and inspectors employed by local government. There is no mandatory system for training inspectors, although there was recently established a voluntary program for Building Official certification. There is no clear line for code interpretation or authority within the State when there are specific code disputes. On a local level, in most jurisdictions, there is a local board of appeals for construction problems; only the civil courts exist beyond this board.

The recommendations offered are not intended to relax current standards and in most cases would offer alternatives that would increase standards but reduce costs.

A. Issue: Permitting Process

1. One of the most costly items involved with the building process is the "slack"

time created by waiting for permits or inspections, and the duplication that occurs. These costs include interest on construction loans, cost of having crew (laborers) idle, and penalties for not meeting agreed upon deadlines.
2. When reviewing regulatory programs that have been successful, streamlining (eliminating duplication) and shortening this process has been a common theme.
3. The committees' interest was directed toward single and multi-family dwellings within communities.
4. Many communities allow plans to be kept on file to eliminate lengthy delays which occur due to plan review.
5. The committee felt that special consideration could be given to those builders or developers who (1) are willing to pay additional cost to allow for immediate processing or, (2) have built a sufficient number of units and have established building credentials in the community.

RECOMMENDATION

1. ***The privitization of plan review process for residential construction should be permitted:***
   - ***Allow for a "special plan reviewer" much the same as a "special inspector for threshold buildings". That way, if a builder needs quicker review than the community is able to provide, he/she may choose to pay for the services of the "special reviewer". These "reviewers" would be certified by the state and bonded.***
2. ***Whenever possible, duplication within the plan review process should be eliminated:***
   - ***Establish criteria within a community which would allow those builders who have built a given number of units within a community, successfully, to be eligible for the elimination of the plan review process. The inspections that occur at each phase of single family construction would be considered sufficient review.***

B. Issue: Certification Of Building Officials And Building Inspectors

1. Presently, there is only voluntary certification of building officials and inspectors, which just began two years ago within the state.
2. Currently, 279 building officials have been certified, 99% of which were certified under the "old rules" or grandfathered in.
3. 109 or 39% of those certified are from Dade or Broward County which is attributed to the fact that the South Florida Building Code requires certification for building inspection personnel.
4. Although, there are currently 364 local building departments the comparison of 269 building officials certified to 364 jurisdictions does not accurately reflect the situation. It has been estimated 40% of those certified do not serve in the capacity of building official.
5. There are currently 106 Building inspectors certified, who are the individuals that actually perform inspections.
6. All other professionals within the state that the inspectors regulate must be certified or licensed by some process. Contractors, electricians, plumbers, swimming pool installers, etc. must pass state or local testing process, and maintain those credentials.
7. Most documented problems have occurred in rural coastal counties where communities are unable to support multiple inspectors, relying on one individual to inspect for plumbing, electrical, fire, mechanical, and building codes.
8. In terms of affordable housing, untrained or unknowledgeable individuals regulating trained individuals tends to create many delays in the field as well as no true oversight on the quality of the structures being built.

RECOMMENDATION

Mandatory certification of building officials and inspectors including ongoing training programs. The committee recommends that the process take place on personal time as other professionals must upkeep their certification on personal time. Training on personal time would not place an undue burden with regard to work load on local inspection offices.

C. Issue: The Adoption Of A County Or Statewide Building Code

1. The building construction standards are regulated under Chapter 553 of the Florida Statute.
2. There are four basic codes used within the State. They are: (1) Standard Building Code, (2) South Florida Building Code, (3) Epcot Building Code, and (4) Cabo/One and Two Family Dwelling Code.
3. Within these codes, local jurisdictions are permitted to address concerns within their areas and be more restrictive, creating as many codes as there are jurisdictions.
4. There is no one source within the state that monitors or oversees these variations to the basic state minimum code.
5. Due to the variations, builders, architects, and engineers must identify all local variations prior to developing plans.
6. In a report submitted to DCA by the Institute for Building Sciences (Florida A&M), loss of time and money were attributed to these variations. Not only do the variations of the codes create confusion, but also the interpretations that are made by each inspector. There is no mechanism for binding interpretations within the state.
7. Although this is an issue which affects all construction within the State, again added cost at any level affects affordable housing more dramatically.

RECOMMENDATION

Require the adoption by the state, or at the minimum, county, of one building code to facilitate consistency of enforcement and interpretation, thereby reducing the cost of "affordable units".

V. FLORIDA'S QUALITY DEVELOPMENT

Background

The Florida's Quality Developments (FQD) program was established by the Florida Legislature as part of the Florida Growth Management Act of 1985. Statutory reference for the program is contained in Section 380.061, Florida Statutes. Under the statute, the Department of Community Affairs is authorized to administer the program in coordination with the appropriate regional planning council and local governments. The FQD program is designed to encourage developments that have:

> *"... been thoughtfully planned to take into consideration protection of Florida's natural amenities, the cost to local government of providing services to a growing community, and the high quality of life Floridians desire."*

FQD outlines certain compliance standards that must be met before a development may be certified as a Florida's Quality Development. These standards are set forth in Subsection 380.061(3), Florida Statutes. Developments that are certified as FQD's will not be required to undergo Development of Regional Impact (DRI) review.

The certification of a development as a Florida's Quality Development requires the

approval of the DCA, the appropriate regional planning counsel and the local government with jurisdiction over the proposed development.

A. Issue: FQD For Affordable Housing

1. The committee was interested in the FQD program as to how it might relate to affordable housing.
2. It was determined that the program is based on environmental concerns and not communities; therefore, a separate program would be more appropriate.

RECOMMENDATION

DCA should develop a program like FQD for affordable housing in which the committee's recommendation, as well as other incentives, should be given to encourage participation of the private sector in resolving the affordable housing crisis with the state.

Chapter Four

FINAL COMMITTEE REPORT: FINANCE & FUNDING

I. BACKGROUND

One initial conclusion of the Affordable Housing Study Commission was that the State should commit general revenue funds to an affordable housing program. State general revenue has never been used to an appreciable degree to stimulate the production of affordable housing stock in Florida.

Instead, the State has used federal tax code incentives, tax-exempt bonding authority and the pass through of federal grant money to build low and moderate income housing. Federal policy has shifted substantially however, and federal incentives and subsidies are no longer available to the states. The newly imposed limits on the tax-exempt bonding authority of the State and almost complete elimination of federal subsidies have made it imperative for the State to set-aside federal funds for an affordable housing program.

The purpose of the Finance & Funding Committee was to identify a dedicated, recurring source of State funds to be used for an affordable housing trust fund. We were directed further that the funding source should evoke broad based support without unduly penalizing specific industries or organizations, and that housing related taxes should be dedicated to housing. The full Commission determined that a total of $45 to $55 million annually would be needed as leverage for a $300 million rental production program to house 8,000 residents a year. Additionally, $4 million annually in state funds would be necessary to enhance a $150 million homeownership program to house approximately 6,700 people per year.

The Committee researched and evaluated a multiplicity of State revenue sources to determine the amount of revenue generated, current jurisdiction over the funds, legal barriers to the use of the funds, and the appropriateness of their use to fund an affordable housing initiative. **Our highest priority recommendation was to reallocate an existing portion of the documentary stamp tax.** The second was to add housing to the list of eligible infrastructure which could be funded under the State Infrastructure Trust Fund and raise the level of what fund to accommodate the State's housing needs. Our specific recommendations and additional sources that were considered follow:

I. RECOMMENDED FUNDING SOURCES

A. Issue: Should The State Dedicate A Portion Of The Existing Documentary Stamp Tax To An Affordable Housing Trust Fund?

Background

1. Florida first enacted a documentary stamp tax in 1931. The tax is based on deeds and other documents relating to realty. The tax is 50 cents per $100 or fractional part of $100 of the consideration. Corporate shares, bonds, certificates of indebtedness, promissory notes, wage assignments, and retail charge account agreements are taxed at 15 cents per $100 or a fractional part of $100 of the consideration.
2. The tax is collected in each county by the county's comptroller. If there is no comptroller in the county, the tax is collected by the clerk of the circuit court.

3. Major rate increases occurred in 1957 (rate on deeds doubled from 10 cents to 20 cents per $100 of consideration) and in 1963 all rates were increased by 50%. In 1979, deed rates increased from 30 cents to 40 cents. In 1981, the deed rate was increased to 45 cents and in 1985, the deed rate was increased to 50 cents. The 1987 Legislature enacted significant changes to the collection and distribution of the tax which will be discussed in detail below.
4. In 1983, the Legislature also authorized certain charter counties to levy a discretionary surtax on deeds and documents relating to realty of up to 45 cents per $100, or a fractional part thereof. The local discretionary tax does not apply to documents relating to single family residences.
5. The 1987 Legislature raised the documentary stamp tax from the previous 50 cents per $100 to 55 cents per $100. The distribution formula was changed as well. The collection figures under the old law were as follows:

Documentary Stamp Collection Figures (in millions) Based On Prior Statute

	1987-88	1988-89
General Revenue	$305.4	$327.9
Land Acquisition Trust Fund	63.9	68.6
Water Management Land Trust Fund	40.1	43.1
TOTAL	$409.4	$439.6

6. The new collection figures are:

Documentary Stamp Collection Figures (in millions) Based On Current Statute

	1987-88	1988-89
General Revenue	$280.0	$285.0
Land Acquisition Trust Fund	68.1	69.4
Water Management Lands Trust Fund	42.3	43.1
State Infrastructure Trust Fund	25.4	28.2
Conservation & Recreation Lands	42.3	43.1
TOTAL	$458.1	$468.8

7. Section 201.02 was also amended to alter the distribution formula. Most notably, a state infrastructure fund was created and documentary stamp tax funds were also allocated to the Conservation and Recreation Lands Program. The following table shows the old and new distribution formulas:

Documentary Stamp Tax Allocation
Past and Present Distribution Formulas

	Old Law	New Law
General Revenue	74.6%	60.8%
Land Acquisition Trust Fund	15.6%	14.8%
Water Management Lands Trust Fund	9.8%	9.2%
State Infrastructure Trust Fund	0	6.0%
Conservation and Recreation Lands	0	9.2%

RECOMMENDATION

The Affordable Housing Study Commission recommends that $45 to $55 million of the documentary stamp tax that is currently dedicated to the General Revenue Fund be specifically earmarked for the Affordable Housing Trust Fund. $40 to $50 million annually should be dedicated to the State Apartment Incentive Loan Program to house 18,000 residents per year. $4 to $5 million annually should be committed to enhance homeownership loan programs to house 6,700 people each year.

- ***It was determined that reallocating the general revenue portion of the documentary stamp tax is the most realistic and appropriate source of revenue to dedicate to the Affordable Housing Trust Fund. General revenue receives the largest portion of the tax and the money has not necessarily been assigned or committed to any other agency. Although the final strategy for reallocation may be contingent on the sales tax debate, this was determined to be our highest priority funding proposal.***

B. Issue: Should The State Increase The State Infrastructure Trust Fund And Add Housing To The List Of Eligible Infrastructure?

Background

The real estate sales tax legislation created a State Infrastructure Trust Fund to be used for the purposes of:

1. Acquiring the right-of-way for, and constructing state highways and bridges;
2. Constructing public education capital facilities;
3. Financing state projects for beach restoration or renourishment or lake or river restoration;
4. Constructing state correctional facilities;
5. Constructing other infrastructure projects; or,
6. Issuing revenue bonds to finance state capital outlay projects.
   - The State Infrastructure Trust Fund is capped at $200 million in fiscal year 1987-88 and $500 million thereafter. The money deposited in the fund is a combination of sales tax revenue (2%), documentary stamp revenue (6.0%), and a 5 cents diesel fuel tax.

RECOMMENDATION

Adding housing to the list of eligible infrastructure under the State Infrastructure Trust Fund is recommended as an alternative to the use of the general revenue portion of the documentary stamp tax.

III. ADDITIONAL SOURCES CONSIDERED

A. Issue: Should The State Collect Interest On Real Estate And Insurance Escrow?

Background

The standard method of using escrow accounts to fund a housing trust fund is to deposit short term real estate escrow funds in interest bearing accounts. The interest income on the account is subsequently reinvested as it accumulates and used to finance the construction or rehabilitation of low and moderate income housing. There is currently no requirement in Florida that real estate escrow monies be placed in interest bearing account for any particular public purpose.

RECOMMENDATION

It was recommended that an alternative source of funding be selected.

- ***After researching this source, the Affordable Housing Study Commission has determined that it would be difficult to guarantee the use of real estate and insurance escrow accounts to fund an affordable housing trust fund. The opposition from lenders and real estate interest groups would be formidable. It therefore is not a predictable source of revenue.***

B. Issue: Should A Portion Of The Real Estate And Construction Sales Tax Be Dedicated To Housing?

Background

The current excise tax on the sale of services is presently set at a rate of 5% of the sales price of the service and the total projected revenue is as follows:

Projected Revenue From Sales Tax On Construction
And Real Estate Services (in millions)

	1987-88	1988-89
Construction	252.8	366.6
Real Estate Services	32.7	19.4

RECOMMENDATION

Until a decision on the retention of the tax has been reached, this should not be considered to be a viable option.

- ***Although the tax is directly related to the housing industry, and therefore an appropriate source, the status of the tax is extremely questionable. There is a chance that the tax will be repealed entirely or amended significantly.***

C. Issue: Should The Florida Housing Finance Agency Be Awarded General Obligation Bonding Authority?

Background

The committee did consider research presented on the use of general obligation bonds to finance or refinance housing or housing related facilities. It was determined that in order for this to be possible, Article VII, Section 17 of the constitution would have to be amended to delete the term revenue from the type of bonds authorized to be issued from housing and to delete language

prohibiting the pledge of full faith and credit for housing bonds. The changes would need voter approval in a general election and would not be completed any earlier than 1989. Furthermore, general obligation bond financed projects would be subject to the same income limits imposed on revenue bonds, a fact that limits their value as an alternative.

RECOMMENDATION

The Affordable Housing Study Commission recommends not to pursue the use of general obligation bonds for housing or housing related industry at this time.

D. Issue: Should Funds From The Sale Of State Owned Lands Be Contributed To Housing?

Background

1. All revenues derived from application fees, leases, conveyances, and land sales are deposited in the Internal Improvement Trust Fund. These funds are used for the acquisition, management, administration, protection and conservation of state-owned lands.
2. Proceeds from sales are placed in the Conservation and Recreation Lands Trust Fund (CARL). The CARL Fund also receives 50% of the moneys collected from the excise tax on the severance of mineral rights (phosphate, oil, etc.). The Board of Trustees (Internal Improvement Trust Fund) administers, manages, conserves, and sells all real property forfeited to the state under the RICO Act (ss895.09).
3. Proceeds from forfeited property sales are used to satisfy encumbrances on forfeited property and associated administrative costs. Once all claims against the property are satisfied, 50% of the proceeds are deposited into the general fund of the county in which the court entered the judgment and the remaining 50% are deposited into the Forfeited Property Trust Fund of the Department of Natural Resources.

RECOMMENDATION

It was recommended that although this is a justifiable use of the proceeds from the sale of state owned lands, it should not be considered as a politically viable funding source.

E. Issue: Should The State Transfer The Fees On Apartments That Are Currently Collected By The Division Of Hotels And Restaurants To An Agency With Jurisdiction Over Housing?

Background

The Department of Business Regulation, Division of Hotels and Restaurants, annually issues licenses to approximately 60,000 hotels, restaurants, rooming houses, condominiums, and apartment buildings of more than five units. In fiscal year 1985-86, 16,168 of those were apartment projects, 4,747 were transient apartments (rentals of 90 days or less), and 3,457 were rooming houses. The fee is based on the number of units in each project. For projects with between one and 25 units, there is a $30 charge; after that, there is a charge per unit of:

1 - 50	added units	$1.20
51 - 100	added units	$ .80
over 100	added units	$ .40

The fees are deposited in the Hotel and Restaurant Trust Fund and the money is used to pay administrative costs in the Division of Hotels and Restaurants. The money is also used for training but not training that is directly connected to the housing industry. In fiscal year 1985-86, the Division collected a total of $3,691,411. In fiscal year 1986-87, the money generated directly by the housing industry contributed the following amounts:

Hotel And Restaurant Fees
Housing Related Revenue FY 86-87

Apartments	$ 852,506
Transient Apartments	188,508
Room Houses	48,935
Condominiums	103,850
TOTAL	$1,193,799

RECOMMENDATION

It was recommended that the New and Existing Program committee consider the transfer as one part of the Commission's overall program recommendation. The Commission has made a general finding that the housing programs and regulations should be streamlined and consolidated.

F. Issue: Should Unclaimed Funds Be Used To Fund Affordable Housing?

Background

1. Any unclaimed funds left deposited in banks are reverted to the jurisdiction of the Office of the Comptroller. The money includes cash, stocks, and bonds. The funds are then deposited in the statewide School Trust Fund.
2. If the funds are claimed, a claim is filed and verified and the money is transferred from the Trust Fund to the Comptroller's Account and then to the recipient.
3. There is no statute of limitations on the claims, they may be filed at any time.
4. To date, $50 million in unclaimed funds have been deposited into the School Trust Fund. The funds have been dedicated exclusively to education for the past fifty years.
5. The current balance of the fund is $24 million. Twenty-two million dollars ($22.0) will be used this year for the Florida Education Finance Program, a $3.2 billion program funded primarily from general revenue.

RECOMMENDATION

It was recommended that the use of this revenue should not be considered as a realistic alternative.

- ***These funds are not generated by the housing industry and they have been specifically earmarked for education.***

G. Issue: Should The State Purchase Housing And Urban Development Foreclosures?

Background

1. Data was obtained by phone from two of the three HUD regions in Florida, the Jacksonville and Tampa regions.
2. The information given by the Jacksonville region showed:
   a. Number of Foreclosures

FY	Number Per Year
87	125 to date
86	Approximately 144 - (based on an average of 12 to 14 per month)
85	Approximately 264 - (based on an average of 22 per month)

b. Condition of Housing Stock
Most of the foreclosures that have been surveyed are four to five years old and many are ten years and older. The conditions vary, many are in need of substantial rehabilitation although there are foreclosures that are immediately saleable.

c. Original Acquisition Costs
The 1987 average price for HUD foreclosure was $41,750.

d. Type of Units
Many of the units are two story attached dwellings and there are generally two to four units per building. Approximately one-fifth of the foreclosures are single family detached dwellings.

e. Sales Price
The 1987 average sales price was $33,000 and 260 units were sold in that year.

f. Purchaser
60% of the units were bought by homebuyers and 40% by investors. The City of Jacksonville also has purchased foreclosures as part of an urban homesteading program.

3. The information given by the Tampa region showed:

a. Number of Foreclosures
FY 1987 - 750
FY 1986 - 476
Fy 1985 - 400

b. Condition of the Units
According to the Tampa HUD office, the condition of the foreclosures ranges widely from uninhabitable to those that are ready for occupancy. No hard data or percentages were available. The average age of the unit is between eight and ten years.

c. Acquisition Costs
The 1987 average acquisition cost was $47,500.

d. Type of Units
Over 95% of the foreclosures in this region have been single family detached dwellings. A few of these are duplexes

e. Sales Price
The 1987 average sales price was $36,500.

f. Purchasers
50% of the foreclosed properties were purchased by investors and 50% were purchased by individual homebuyers.

RECOMMENDATION

It was recommended that this be looked at as a part of a new State housing program and taken up by the New and Existing Program committee.

- ***Although purchase of foreclosed property may be a viable course of action for the State, it should not be considered as a permanent funding source.***

Chapter Five

SUMMARY OF STUDY COMMISSION FINDINGS & RECOMMENDATIONS

Although the Affordable Housing Study Commission was able to accomplish a great deal in a short amount of time, there were issues that deserved attention that we were unable to explore. These areas are not insignificant, but were not determined to be priorities of the Commission at this time. These items are listed in ***Appendix B***.

In summary, there are several findings which should be reiterated.

- The problem of housing affordability is one that affects all segments of Florida's citizens, but is at a crisis level for very low and low income residents.
- Although this crisis is affecting individuals now, the state's economic base is being threatened as the number of individuals affected is growing. The economy of the State could be threatened as affordable housing units become more difficult to obtain.
- The Commission has recommended a comprehensive program which addresses multi-family and single family housing which can effectively leverage $450 million of housing each year from a state contribution/loan of between $45 and $55 million per year.
- The Commission has also made recommendations, that at little or no cost to the state, can provide regulatory changes that can reduce the cost of each affordable housing unit built within Florida.
- The Commission has also recommended a specific source of funding that is currently being collected from the industry it will serve.

With the completion of the Affordable Housing Study Commission Final Report, the Commission's major duties have been completed. The Commission sunsets on June 30, 1988, and between now and then, the members will be taking an active role in promoting their recommendations.

Appendices

AFFORDABLE HOUSING STUDY COMMISSION MEMBERSHIP

Name/Address/Business Phone	Representation
Dr. Joseph F. Diaz 9802 North 22nd Street Tampa, Florida 33610	Chairman
Mr. Fredd Atkins 2896 Noble Avenue Sarasota, Florida 33580	Community Based Organization Representative
Mr. Wallace Z. Bowers 1302 North Nebraska Avenue Tampa, Florida 33602	Chairman of the Board of Directors of the Florida Housing Finance Agency
Ms. Shirlee Bowne 553 East Tennessee Street Number 8 Tallahassee, Florida 32308	Citizen of the State
Mr. Lee Chira 255 S. Orange Avenue Number 1330 Orlando, Florida 32801	Citizen of the State
Mr. Samuel D. Collins 6425 Miami Lakeway, North Miami Lakes, Florida 33014	Citizen of the State
Mr. Clifford Hardy, Jr. 1715 North Westshore Boulevard Suite 375 Tampa, Florida 33607	Citizen of the State
Mr. Charles F. Johnson, Jr. 1351 NW 88th Street Miami, Florida 33147	Very low income and low income persons
Ms. J. Carol Johnson 348 Wahoo Road Bay Point Box 233 Panama City, Florida 32407	Citizen of the State
Mr. Randall C. Johnson 1307 US Highway 19, South Suite 500 Clearwater, Florida 33546	Home mortgage lending profession
Mr. Edward Jay Kleiman 2400 Maitland Center Parkway Number 120 Maitland, Florida 32751	Apartment development

Name/Address/Business Phone	Representation
Mr. John J. Koelemij Post Office Box 1212 Tallahassee, Florida 32302	Home builder
Mr. Edgardo O. Meneses 1221 Southwest 78th Place Miami, Florida 33144	Citizen of the State
Mr. Benjamin Norbom 111 Parker Street Suite 300 Tampa, Florida 33606	Management and operation of a rental housing development
Mr. Thomas G. Pelham 2740 Centerview Drive Tallahassee, Florida 32399	Secretary of the Department of Community Affairs
Ms. Jean L. Whitmire 140 Lurton Street Post Office Box 926 (32594) Pensacola, Florida 32505	Real Estate Broker/Salesperson

Appendix B

SYNOPSIS OF AFFORDABLE HOUSING STUDY COMMISSION RECOMMENDATIONS

Chapter One

None

Chapter Two

FINAL COMMITTEE REPORT: NEW & EXISTING PROGRAMS

I. RENTAL PRODUCTION: STATE APARTMENT INCENTIVE LOAN "SAIL" PROGRAM

A. Issue: Should Florida Commit State Resources To A Rental Production Program?

RECOMMENDATION

1. *Florida should create a new program which commits State resources to stimulate the construction or substantial rehabilitation of rental housing. The program could be called the State Apartment Incentive Loan, or "SAIL" program.*
2. *The "SAIL" program should produce $300 million, or 6,000 units or housing annually, providing shelter for an estimated 18,000 persons. To accomplish this an investment of $40-$50 million of State monies is required each year, thus achieving a 5-1 leveraging.*
3. *Program Goals:*
   - *encourage use of existing federal tax incentives*
   - *stimulate maximum production with minimum State subsidy*
   - *use of State funds as loans, not grants*
   - *required local government contribution*
   - *assisting low income tenants in mixed income setting*
   - *use of the private sector including non-profits, as the production delivery vehicle*
   - *put additional units into service*
4. *Program Design:*
   - *agency/developer determine maximum mortgage payment possible from rents on project, taking into account rent loss from low income units*
   - *developer obtains first mortgage in this amount*
   - *remainder of project cost funded by combination of developer equity, local government contribution, and second mortgage from "SAIL" Program.*

B. Issue: Limit On State Subsidy

RECOMMENDATION

1. *Limit subsidy per unit to the minimum necessary to make the project economically feasible given 20% of the units rented to very low income tenants.*
2. *It is expected that no more than 25% of a project's costs should be provided through a "SAIL" loan; however it should be recognized that certain target groups such as farmworkers may need a larger amount of State assistance.*

C. Issue: Income Targeting

RECOMMENDATION

1. *If developer uses tax-exempt financing for the first mortgage, require that 20% of the tenants have incomes below 50% of local median, adjusted for family size.*
2. *If a developer uses taxable/conventional financing for the first mortgage, require that 20% of the tenants have incomes below 50% of the State or local median (whichever higher), without family size adjustment.*
3. *No restrictions should be placed on other tenant's incomes.*

D. Issue: Local Government Contribution

RECOMMENDATION

1. *A minimum threshold of local government participation should be stated and required.*
2. *The scoring system for distribution of State funds should reward higher levels of local government contribution.*
3. *The program goal should be to obtain 5%-10% of project cost in the form of local government contribution.*

E. Issue: Private Sector Involvement

RECOMMENDATION

1. *State funds should provide the incentive for private sector developers to produce the needed rental units.*
2. *Both for-profit and non-profit developers should be encouraged to participate in the program. Joint ventures between these groups should be encouraged.*
3. *"SAIL" funds should be targeted by user groups (elderly, farmworkers, etc.), not by type of provider (profit or non-profit).*
4. *Non-profits should be treated equally in terms of loan underwriting/credit evaluation.*
5. *Other State programs should provide development training to non-profits.*

F. Issue: Tax-Exempt/Conventional Financing

RECOMMENDATION

1. *Developers should be allowed to use the most cost-effective source of first mortgage financing, whether tax-exempt bonds or conventional financing.*
2. *The program scoring system should heavily reward projects using the lowest State subsidy per project, therein rewarding developers with the lowest possible effective first mortgage interest rate.*

G. Issue: Rent Limits On Low Income Units

RECOMMENDATION

The State should not implement rent controls on units produced in the program.

H. Issue: Other Targeting

RECOMMENDATION

1. *The program's goal should be a 50%-50% division of the low income units between*

family and elderly housing. This set-aside should be for time-limited (six-month) period.
2. *Ten percent (10%) of the "SAIL" funds should be set-aside for a six-month period for use by developers of farmworker housing.*
3. *No discrimination against families with children should be permitted, except in projects designed for all-elderly occupancy.*
4. *All set-aside targeting should be for time-limited (six-month) basis, after which time all funds would be available to any eligible developer throughout the State.*

I. Issue: Type Of Housing Produced

RECOMMENDATION

The program should provide State loans to developers of new housing or housing requiring substantial rehabilitation.

J. Issue: Form Of State Assistance

RECOMMENDATION

State monies should be used to provide up-front second mortgage loans to developers at reduced interest rates. Example:

- *$10 million cost*
- *$50,000/unit*
- *200 units*
- *Average rent of $450/month*
- *Tax-exempt financing at 7.25%*

• Net Operating Income	$ 600,000
• First Mortgage	7,200,000
• Shortfall	2,800,000
Developer Equity	800,000
Local Government	500,000
State Loan	1,500,000
• Annual Cash Flow	600,000
• Annual Debt Service	520,000
• Annual Surplus	80,000
• 6% Return of Equity	48,000
• Available for interest on State loan	32,000 or 2%
• Leveraging	6.7/1.0

K. Issue: Loan Terms

RECOMMENDATION

1. *The legislation should allow flexible loan terms.*
2. *State loans should be for a minimum of five, but no more than fifteen years.*
3. *The 20% low income requirement should be required for the length of the State loan. The scoring system will reward developers that agree to longer restrictions.*
4. *The loan should be due at project sale or refinancing.*
5. *A suggested loan structure would include:*
   - *A 3% base interest rate paid annually if cash flow permits.*
   - *A 6%-8% maximum interest rate paid annually if cash flow and developer return-on-equity requirement permits, or deferred until sale/refinancing and paid from appreciation in value of project.*
   - *A first mortgage plus a State funded second mortgage should be less than value of project without low income land use restriction.*

L. Issue: Scoring System

RECOMMENDATION

1. *Minimum requirements for submission should include:*
   - *demonstrated project feasibility without State funds after 15 years*
   - *project requires no more than maximum allowable State loan*
   - *developer with no delinquencies or defaults on other HFA or DCA loans*
   - *evidence of local government contribution*
   - *expression of interest by first mortgage lender (with firm commitment required within six months of selection)*
   - *site control, developable site, proper zoning, and utility availability*
   - *adequate level of experience for development team*
2. *Scoring system should reward:*
   - *higher levels of local government contribution (up to 10% of project cost to maximum points, with a geometric progression in scoring system)*
   - *higher leveraging of State funds*
   - *minimum State dollars/total units produced*
   - *ability to proceed quickly to construction*
   - *longer length of commitment to maintain low income units*
   - *higher percentage of low income units (up to 30%) without increasing State subsidy*
   - *provision of three and four bedroom units*
   - *commitment of permanent financing*
   - *equity contribution by developer*
   - *project feasibility*

M. Issue: Geographic Distribution

RECOMMENDATION

1. *Target funds for a six-month period to no more than three regions.*
2. *No other targeting should be applicable to each region.*

N. Issue: Necessary Level Of Funding

RECOMMENDATION

1. *Appropriate $40-$50 million per year for the "SAIL" loans, thus producing $300 million of housing annually.*
2. *Target at least $7,800,000 of "SAIL" funding to each geographic area to be served.*
3. *All set-asides should be eliminated at minimum funding levels.*

II. HOMEOWNERSHIP ASSISTANCE PROGRAM

A. Issue: Should Florida Commit State Resources To A Homeownership Assistance Program?

RECOMMENDATION

1. *Florida should commit State resources to the Florida Housing Finance Agency's homeownership bond program to improve its ability to serve low and moderate income first-time homebuyers.*
2. *The homeownership program should provide $250 million of financing annually, enough to house 3,000 families (estimated 6,000-7,000 people). To accomplish this, a commitmentof $4 million of State funds is needed each year, thus achieving leveraging of over 35-1.*

3. *Program Goals:*
   - *reduce the up-front cash costs to 5% for low income homebuyers*
   - *facilitate the use of FHA insurance on bond loans*
   - *use State funds as second mortgage loans to homebuyers (to be used to pay part of downpayment and closing costs)*
   - *use State funds to establish loan loss insurance reserve to cover 2% FHA shortfall*
   - *use State funds to assume part of loan non-origination risk*

B. Issue: Maximum Subsidy (Loan) To Homebuyer

RECOMMENDATION

1. *Limit subsidy (in form of loan) to difference between 3% downpayment, 3.5% origination fees/actual closing costs and 5% (low income buyers).*
2. *Commit $2-$3.5 million of funding each year.*

C. Issue: Income Targeting

RECOMMENDATION

Limit subsidy to families earning under 80% of median income (State or local, whichever higher).

D. Issue: Local Government Contribution

RECOMMENDATION

No local government contribution should be required.

E. Issue: Coordination With HFA Bond Program

RECOMMENDATION

Limit this program to use with HFA Bond loans.

F. Issue: Sales Price Limits

RECOMMENDATION

No additional sales price limitations should be imposed.

G. Issue: Form Of State Assistance/Loan Terms

RECOMMENDATION

1. *The State assistance should be in the form of a second mortgage loan, with the HFA given flexibility in setting the specific terms.*
2. *A recommended loan structure would include:*
   - *deferred payments for 3-5 years*
   - *3% interest rate*
   - *amortization over 10 year period*
   - *due at sale or refinancing*

H. Issue: Improved Ability For Use Of FHA Insurance On HFA Bond Issues

RECOMMENDATION

1. *State funds should be used to cover this shortfall of FHA insurance, in an amount sufficient to achieve a bond rating (less than 2%, as worst case default scenarios are not at the 100% level).*
2. *State funds should be placed in an insurance escrow, and could be released as the bond issue revenues became sufficient to cover insurance shortfalls.*
3. *Approximately $1.5 million of State funds should be committed initially to this insurance reserve, with future funding a function of loan losses.*

I. Issue: Methods To Improve Lender Participation In Program

RECOMMENDATION

1. *The State HFA should be authorized to use Agency funds to pay a portion of the cost of issuing bonds, thus sharing non-origination risk (Agency would recover costs from homebuyers as loans are originated).*
2. *The State HFA should allow lenders to share non-origination costs with home-builders, by permitting a portion of bond funds to be subcommitted to specific builders.*
3. *The annual cost (recoverable) to the HFA would be less than $1.5 million.*

III. AFFORDABLE HOUSING DEMONSTRATION LOAN PROGRAM

Issue: Should Florida Continue This Program?

RECOMMENDATION

1. *Sufficient funds should be made available on this type of program to insure private sector participation and economically feasible rental projects.*
2. *The Affordable Housing Demonstration Loan Program should be continued in the form of the proposed "SAIL" rental production program.*
3. *The inventory and analysis of public lands should be continued.*

IV. SITE ACQUISITION AND PREDEVELOPMENT LOAN PROGRAMS

Issue: Should This Program Be Continued/Improved?

RECOMMENDATIONS

1. *The programs should be continued, but should be combined under a single statute, rule, and application process.*
2. *Set-asides for specific groups (rural, farm-worker or other) should be for time-limited period each fiscal year.*
3. *Projects should be allowed in all geographic areas.*
4. *For-profit developers should be allowed to participate.*
5. *Non-profit training should be increased.*
6. *The program should reward linkage with other programs.*
7. *Grants should be replaced with loans.*

V. LOW INCOME RENTAL HOUSING TAX CREDIT PROGRAM

Issue: How Can The Program Be Improved By The State?

RECOMMENDATION

1. *The federal government should be encouraged to increase the subsidy available for each project in order to provide an adequate incentive for development of low income housing.*
2. *The HFA should continue to promote the use of the tax-credit.*
3. *Developers in the "SAIL" rental production program should receive automatic allocations of the tax credit.*

IV. POCKETS-OF-POVERTY PROGRAM

Issue: Should This Program Be Continued/Improved?

RECOMMENDATION

1. *Program should be eliminated as presently structured.*
2. *Funds should be used in more cost effective manner to serve farmworkers who are in need of assistance.*
3. *Farmworkers should receive a set-aside of "SAIL" funds.*

VII. SUMMARY OF RECOMMENDATIONS: NEW AND EXISTING PROGRAMS

A. A rental production or "SAIL" (State Apartment Incentive Loan) Program should be created with annual funding of approximately $40-$50 million.
B. The HFA's homeownership program should be improved to aid low and moderate income homebuyers, by:
   - use of State funds for downpayment and closing cost loans (approximate annual cost: $2.5 million of state funds, $1.5 million of HFA funds)
   - use of FHA mortgage insurance (initial insurance reserve of approximately $1.5 million)
C. The Affordable Housing Demonstration Loan Program should be replaced by the "SAIL" program.
D. The three site acquisition and predevelopment loan programs should combined into a single program.
E. The Low Income Rental Housing Tax Credit Program should continue to be promoted.
F. The Pockets-of-Poverty Program should be eliminated in its present form, with a farmworker set-aside in the "SAIL" Program.

Chapter Three

FINAL COMMITTEE REPORT: REGULATORY REFORM

I. THE COMPREHENSIVE PLANNING PROCESS

RECOMMENDATION

1. *Resources and personnel should be made available that will ensure a quality review of the housing element of the Comprehensive Plan.*
2. *The State Comprehensive Plan's goals should be amended to recognize housing as a high priority.*

A. Issue: Set-Aside

RECOMMENDATION

Local government should set-aside capacity for utilities, services and transportation for affordable housing units in an effort to meet their housing element and provide affordable housing for their communities.

B. Issue: Waiver of Concurrency Requirement

RECOMMENDATION

1. *The term "concurrency" should be defined within the law to identify and quantify its effect on housing.*
2. *When a community is planning for its infrastructure needs, capacity should be set-aside for "affordable housing".*
3. *When considering "quality of life issues", during the review of comprehensive plans, the State should be given the right to balance the appropriate concerns and adjust the concurrency requirements. It would be considered especially appropriate in those developments where it is felt the "public purpose" of providing affordable housing overrides the issue of level of service.*

C. Issue: Joint Venture

RECOMMENDATION

If state programs are developed that would provide funding to local government, the ability to receive funds should be based on the communities' efforts toward addressing the housing element of their comprehensive plan.

D. Issue: Workable Program

RECOMMENDATION

Revive a variation of "workable program" to ensure the implementation of the housing element of the comprehensive plans.

E. Issue: Density Bonus

RECOMMENDATION

Local governments should be encouraged to use density bonuses to encourage affordable housing as well as density bonus transfers.

F. Issue: Inclusionary Zoning

RECOMMENDATION

1. *The Commission did not feel this was an area that should be acted on at this time due to the general feeling that the State should provide as many incentives as possible prior to mandating. Therefore, local governments should be encouraged to provide incentives that would encourage the construction of "affordable units" in an effort to further their housing goals.*
2. *The Commission also felt it was important to recognize that if the incentive approach was not successful, that this is an area that should be reconsidered in terms of its appropriateness for the State of Florida.*

II. IMPACT FEES

A. Issue: Alternative Methods Of Payment

RECOMMENDATION

1. *Encourage local governments to pay impact fees out of local or federal funds on affordable housing units.*
2. *Adopt legislative language that would allow for impact fees to be waived by a local community for affordable housing.*

B. Issue: Codification Of Impact Fees

RECOMMENDATION

1. *Support legislation to codify impact fees and provide guidelines and standards by which they are to be implemented.*
2. *The legislation should contain language that would allow for waiving impact fees on housing determined to be "affordable" by the definition provided by the Commission.*

C. Issue: Cost of Roads

RECOMMENDATION

1. *Take the cost of roads out of the cost of housing. The cost would be better borne by the user, automobiles. More appropriate source for paying the cost of roads are:*
   a. *Licensing*
   b. *Gas tax*
   c. *Rental car tax*
2. *The dollars collected should be used "specifically" for the hard costs involved in building roads.*

D. Issue: Lower Impact Fees

RECOMMENDATION

Encourage local government, where it is possible, to establish a rational nexus for a lower impact fee for affordable housing.

E. Issue: Credit For Exactions

RECOMMENDATION

Regulatory agencies, state and local government, must credit developers with any exactions required of the developer.

III. DEVELOPMENTS OF REGIONAL IMPACT

A. Issue: Substantial Deviation

RECOMMENDATION

Modification of substantial deviation requirements to the advantage of building "affordable housing".

Senator GRAHAM. Thank you very much, Mark.

STATEMENT OF RICHARD BOWERS, DIRECTOR OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT IN JACKSONVILLE

Mr. BOWERS. I am Richard Bowers, director of the city of Jacksonville Department of Housing and Urban Development. You might think of that as HUD retail as opposed to Federal HUD, HUD wholesale, And I have been asked to comment from the perspective of public housing.

Before responding from that regard, it's necessary, I think, to look at where we are now in the State of Florida as regards public housing.

In the State, we are faced with an aging public housing stock and inadequate funds for comprehensive modernization. $35 million is being made available through Federal HUD this year statewide. The local housing authorities have requested $144 million.

Primarily because of the limitations of the 50 percent of median income occupancy rule, we are housing a population of senior citizens and single parent families.

This population that we are housing needs substantially more social services than the cross section of lower income families housed under the 80 percent of median income occupancy rule.

Operational cost increases, including the high cost of insurance, have placed a severe strain on the ability of local authorities to maintain their units, especially in urban areas.

The significant increase in drug trafficking and crime, especially in this immediate past year, has placed serious stress on our housing complexes to the extent that many of us are seeing increases in our vacancy rate because of families refusing to live in public housing out of fear, even when we have significant waiting lists. Most authorities do not have security personnel.

Central to the recommendation of the task force as regards public housing, is the need and assurance for a continued source of funding to adequately support the rehabilitation of units feasible for rehabilitation, the increased need for social services, and the addition of additional public housing units.

FEDERAL GOVERNMENT MUST TAKE THE LEAD

I concur that there are many lessons to be drawn from the 50-year experience of Federal and local partnership to deliver housing; however, the local and State governments in general have never been equal partners in the provision of public housing. This has become more obvious with the retreat on the Federal level of the provision of adequate funds to provide for modernization of housing stock.

There is no doubt that the Federal Government should support the restoration and revitalization of existing public housing units, realizing that some units, because of poor design or density, should be demolished and replaced with less dense, smaller scattered site projects.

The most seriously troubled projects and the most seriously troubled authorities must be identified and their problems remedied.

There is no doubt that the Federal Government must first take the lead. However, this can no longer be done without significant local involvement and funding; and in some cases State participation in funding.

It is incumbent on the Federal Government to take the lead to create this partnership. The partnerships must address as the recommendations indicate, modernization of the public housing inventory, modernization that needs to be done in a reasonable timeframe, and the funding guaranteed over a reasonable length of time in order to have the impact desired.

In most cases, it should be possible to modernize all public housing in any given locale within a 5-year period. The funding should not be staggered.

Generally, the projects that need modernizing are the projects that have occupancy problems, social service problems, and have had maintenance problems for a long period of time.

There must be a comprehensive and wholistic approach to the solution for these problems for any given project, even if this means local and State funding on a specific project to complement the Federal participation.

Projects, to provide a reasonable quality of life for residents, must once again become communities.

To once again become communities, the Federal Government should address the law requiring holding incomes of residents of public housing to 50 percent of the median or less. Serious consideration must be given to reverting to the 80 percent of median income required for participation in public housing.

The 50-percent income rule has resulted in the creation of single parent family, primarily female ghettos in family projects. These are persons, mothers and children, most likely to be preyed upon by the criminal elements in any community, and most likely to be defenseless.

Public housing as a service provision mechanism for low income housing may have reached its optimum. The steps that the task force recommended show no doubt should be taken to maintain the existing public housing stock.

However, serious consideration should be given to the question as to whether the public housing is a good continuing approach for the provision of affordable housing for low income persons.

The task force recommends that local authorities should continue efforts to involve tenants in project management. There have been several positive examples around the country of tenant management.

Positive experiences have been where there were strong tenant personalities, active for a long period of time in communities, and where the local housing authority committed significant resources to the training and involvement of tenants.

If tenant management is to be encouraged and expanded, a significant level of technical assistance will be required.

To conclude, Florida's housing authorities are ready to participate in a partnership; however, adequate resources on a continuing basis must be provided from the Federal level.

For the first time, we are looking to both the State and local levels for assistance and financial support.

B. Issue: Preliminary Development Agreement

RECOMMENDATION

Recognize "affordable housing" as defined by the Commission as a legitimate criteria within a pre-development agreement to allow the possibility for the construction for up to 80% of the threshold.

C. Issue: Incentives

RECOMMENDATION

The Department of Community Affairs should:

1. *Develop incentives for DRI developer/builders to include affordable housing within their projects; and,*
2. *Encourage local governments to make efforts to create an atmosphere in which this could take place through their regulatory processes.*

IV. BUILDING CODES

A. Issue: Permitting Process

RECOMMENDATION

1. *The privitization of plan review process for residential construction should be permitted:*
   - *Allow for a "special plan reviewer" much the same as "special inspectors for threshold buildings". That, if a builder needs quicker review than the community is able to provide, he/she may choose to pay for the services of the "special review". These "reviewers" would be certified by the state and bonded.*
2. *Whenever possible, duplication within the plan review process should be eliminated:*
   - *Establish a criteria within a community which would allow those builders who have built a given number of units within a community, successfully, to be eligible for the elimination of the review process. The inspections that occur at each phase of single family construction would be considered sufficient review.*

B. Issue: Certification Of Building Officials And Building Inspectors

RECOMMENDATION

Mandatory certification of Building Officials and inspectors including ongoing training programs. The committee recommends that the process take place on personal time as other professionals must upkeep their certification on personal time. Training on personal time would not place an undue burden with regard to work load on local inspection offices.

C. Issue: The Adoption Of A County Or Statewide Building Code

RECOMMENDATION

Require the adoption by the state, or at the minimum, county of one building code to facilitate consistency of enforcement and interpretation, thereby reducing the cost of "affordable" units.

V. FLORIDA QUALITY DEVELOPMENT

A. Issue: FQD For Affordable Housing

RECOMMENDATION

DCA should develop a program like FQD for affordable housing in which the committee's recommendation, as well as other incentives, should be given to encourage participation of the private section in resolving the affordable housing crisis with the State.

Chapter Four
FINAL COMMITTEE REPORT: FINANCE & FUNDING

A. Issue: Should The State Dedicate A Portion Of The Existing Documentary Stamp Tax To An Affordable Housing Trust Fund?

RECOMMENDATION

The Affordable Housing Study Commission recommends that $45 to $55 million of the documentary stamp tax that is currently dedicated to the General Revenue Fund be specifically earmarked for the Affordable Housing Trust Fund. $40 to $50 million annually should be dedicated to the State Apartment Incentive Loan Program to house 18,000 residents per year. $4 to $5 million annually should be committed to enhance homeownership loan programs to house 6,700 people each year.

- *It was determined that reallocating the general revenue portion of the documentary stamp tax is the most realistic and appropriate source of revenue to dedicate the Affordable Housing Trust Fund. General revenue receives the largest portion of the tax and the money has not necessarily been assigned or committed to any other agency. Although the final strategy for reallocation may be contingent on the sales tax debate, this was determined to be our highest priority funding proposal.*

B. Issue: Should The State Increase The State Infrastructure Trust Fund and Add Housing To The List Of Eligible Infrastructure?

RECOMMENDATION

Adding housing to the list of eligible infrastructure under the State Infrastructure Trust Fund is recommended as an alternative to the use of the general revenue portion of the documentary stamp tax.

Appendix C
ITEMS FOR FUTURE ANALYSIS

There were substantive housing issues that were raised in the course of discussions that could not be adequately addressed due to time constraints imposed on the Affordable Housing Study Commission. There were also those issues raised that were not within the perview of the Commission. It was felt that the following issues were important to the future of affordable housing and warrant research and analysis in the future.

ISSUES

The Homeless

Although the issue of the homeless in the State did not specifically fall under the legislative charge to the Commission, each member of the Commission felt it was a significant problem for the State of Florida. They emphasized the magnitude of the problem and supported research and analysis into State solutions of the problem.

Expiration of Rent Subsidy Contracts

Beginning in 1991, Federal Rent Subsidy contracts under Section A236 and Section 8 will begin to expire. Once the contracts have expired, they will be available for market-rate use. Many of the units are located in downtown areas that are being revitalized, thereby lending themselves to successful adaptive re-use. Given the current affordable housing shortage, it is imperative that whenever possible the units remain affordable. The Commission feels that the units need to be identified by number and location and steps taken to maintain them as affordable housing units and to prepare for the possible displacement of current residents.

HUD Foreclosures

The Finance & Funding Committee did consider State use of HUD foreclosures as affordable housing stock. The recommendation of the Committee was that it should be evaluated in more detail at a future date.

ITEMS FOR FURTHER ANALYSIS

CDBG

Community Development Block Grant funds have been used in communities for a myriad of purposes. The effectiveness and appropriateness of the use of these funds have varied from community to community. Although housing has been one of the uses, it does not appear to have been a high priority for these funds. Community Development Block Grant funds have been used more for infrastructure rather than any other item.

The use of the funds and the effect of the loss of these funds on communities could play a significant role in the affordable housing area. This is an area that definitely deserves further analysis.

Sunset of Chapter 481, F.S.

On October 1, 1988, Chapter 481, F.S., which has regulated the professionals within the construction industry, sunsets. There are many issues being discussed that could add to

the cost of housing. One example is the requirement for all construction, including single family homes, to bear an architect's seal. The Regulatory Reform Committee of the Affordable Housing Study Commission was interested in reviewing this issue, but felt it would warrant a more thorough review than time allowed.

Sub-division Regulations

Subdivision regulations were identified as an issue that did add to the cost of housing, but, because it was such a localized issue, it was difficult to identify specific "statewide" solutions. It was felt if more time was available for further research, that there would be areas in which recommendations would be appropriate.

Department of Transportation Greenbook

The "Greenbook" contains road and curb specifications for subdivisions. There was discussion about the requirements to "over-build" and apply major highway and freeway specifications in areas that do not generate the traffic or speeds that necessitate the same. These costs are added into each unit built which again raises the cost. This would be an area for legitimate study in the future.

Manufactured Housing

There was a request from the Florida Manufactured Housing Association to discuss the applicability of manufactured homes as "affordable housing" and assuring barriers are removed that would prohibit their use. This was not an area the Commission addressed although, as pointed out in the Manufactured Housing testimony, recommendations that benefit "stick built" homes would also benefit Manufactured Housing.

Appendix D
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Appendix E
ENABLING LEGISLATION FOR THE CREATION OF THE AFFORDABLE HOUSING STUDY COMMISSION

Section 11. Section 420.609, Florida Statutes, is created to read:

420.609 Affordable Housing Study Commission. —Because the Legislature firmly supports affordable housing in Florida for all economic classes:

(1) There is hereby created the Affordable Housing Study Commission, which shall be composed of 17 members, including the Secretary of Community Affairs, or his designee, and the Chairman of the Board of Directors of the Florida Housing Finance Agency, or his designee, both of whom shall serve as ex-officio voting members of the commission, and the following additional members, to be appointed by the Governor, subject to confirmation by the Senate:

(a) One citizen actively engaged in the residential homebuilding industry;

(b) One citizen actively engaged in the home mortgage lending profession;

(c) One citizen actively engaged in the real estate sales profession;

(d) One citizen actively engaged in apartment development;

(e) One citizen actively engaged in the management and operation of a rental housing development;

(f) One citizen who represents very low income and low income persons;

(g) One citizen representing a community-based organization with experience in housing development.

(h) A chairman and seven citizens of the state, at least four of whom are not principally employed as members or representatives of any of the groups specified in paragraphs (a)-(g).

(2) The members of the commission shall serve without compensation, but shall be reimbursed for all necessary expenses in the performance of their duties, including travel expenses, in accordance with s. 112.061.

(3) The commission shall be appointed no later than August 1, 1986, and shall continue in existence until its duties are concluded, but no later than June 30, 1988.

(4) The department and the agency shall supply such information, assistance, and facilities as are deemed necessary for the commission to carry out its duties under this section and shall provide such staff assistance as is necessary for the performance of required clerical and administrative functions of the commission.

(5) The commission shall analyze those solutions and programs which could begin to address the state's acute need for housing for very low income, low income, and moderate income persons, including programs or proposals which provide for:

(a) Offering of low-interest and zero-interest loans for the development or rehabilitation of housing;

(b) Use of publicly owned lands and buildings as affordable housing sites;

(c) Creation of a state mortgage insurance fund;

(d) Streamlining of the various state, regional, and local regulations and building codes governing the housing industry;

(e) Stimulation of public and private cooperative housing efforts;

(f) Implementation or expansion of the pilot programs authorized in this part;

(g) Discovery and assessment of sources of funding for low-cost housing construction and rehabilitation; and

(h) Development of such other solutions and programs as the commission deems appropriate.

In performing its analysis, the commission shall consider both homeownership and rental housing as viable options for the provision of housing.

(6) The commission shall prepare and submit to the Governor, the President of the Senate, and the Speaker of the House of Representatives:

(a) By March 1, 1987, an interim report describing its progress; and

(b) By December 31, 1987, a final report detailing its findings and making specific program, legislative, and funding recommendations and any other recommendations it deems appropriate.

Appendix F
AFFORDABLE HOUSING STUDY COMMISSION STAFF

Mark Hendrickson, *Executive Director, Florida Housing Finance Agency*

Susan Leigh, *Bond Development Manager, Florida Housing Finance Agency*

Caroline Chambliss, *Community Assistance Specialist, Florida Housing Finance Agency*

In Florida we must secure the funding to provide for the continuing operation, maintenance and modernization of 45,000 units of public housing. Through public housing and our other assistant housing programs on a State, Federal, and local level we must provide the housing for the immigration of low income families and persons coming to this State, as well as continuing the half century of services to current residents.

[The complete prepared statement of Mr. Bowers follows:]

Senator GRAHAM. Mr. Fine.

STATEMENT OF MARTIN FINE, ATTORNEY AND PROMINENT LEADER IN HOUSING ISSUES FOR MIAMI

Mr. FINE. Thank you Senator. I want to thank you for the opportunity to appear before this committee, and Mayor Ulrich and your staff for affording us these facilities.

I would also like to express my appreciation to you and Senator Cranston for appointing me to serve as a member of the National Housing Policy Advisory Panel, which contributed to this report.

I think in order to keep the record straight, I should say that I am appearing here as a private citizen, but I would be happy to convey thoughts on behalf of Metropolitan Dade County.

In order to save time, may I respectfully request that comments by members of the Dade County housing staff and administration be incorporated into the record, and they will be submitted to your committee in a day or two.

Senator GRAHAM. The record will remain open until when for supplements?

Mr. CAMPBELL. At least 2 weeks, but if you notify us we will keep it open as long as we can.

Mr. FINE. They will have it in the next day or two.

May I also respectfully request that a position paper I wrote in October 1986, several copies of which I have given your able staff person, entitled "DBA: Documentary of Benevolent Aid," be incorporated into the record, because I think it will be of some significance. [See pps. 134 and 148.]

Senator GRAHAM. It shall be.

Mr. FINE. Thank you. I am especially pleased that the concept of benevolent lending set forth in this position paper is a major and important part of the final report of the housing task force.

Of course, all of us Floridians are especially proud that then Governor Graham, now Senator Graham, gave leadership in the Florida legislature to allow counties to enact a documentary stamp tax relating to real estate.

Dade County thus far is the only county that has enacted that tax; and, Senator, you will be pleased to know we have now collected in excess of $50 million, at the rate of about $10 million a year, and have finished over 1,000 homes for our people who would otherwise not have owned a home.

If you have a copy of this report handy, that is the Rouse Report, if you would turn to page 50, you will see there—unfortunately it simply says "Florida," doesn't say "Dade County,"—"A young family in Florida looks at the plan for a low income home." That is being financed by the documentary stamp program in Dade County. It's for migrant housing, probably the first of its kind in the country. That director, the tall fellow there, is Steve Fenster, who does an incredibly good job.

This program is meant to work with and deal with the working deserving poor. I think those are key terms that we need to deal with.

This is not the very poorest, poorest people who are in public housing that our previous speaker spoke to, and those needs are different. This concept deals with deserving working poor.

RECOMMENDATIONS

In no order of importance, I would like to recommend the following proposals that are in the report, and bring them to your specific attention.

That appropriate and substantial funds be made available on a timely basis to local housing authorities for rehabilitation of existing public housing units.

Just to give you an idea of how serious that problem is in Dade County, our State attorney filed a suit against the county commissioners, resulting in a settlement recently, but there is a requirement that we raise $70 million in order to rehabilitate that housing.

Now, whether it's good, bad, or indifferent for long term needs, the fact is that is what we need, and the Federal Government has not given Dade County or indeed any other county, a sufficient amount of money.

You might want to refer to page 26 of the task force report, and I would suggest to you that the Senate, the Congress, support in every way possible the concept of benevolent lending set forth in that report.

Now, Senator, there is one aspect of that section that I think you, in particular, can relate to and help get through the Congress, and that is to allow for a tax deduction for interest which would have been earned on money loaned based on the T-bill rate, as suggested in the report; that that be limited and made available to first time homeowners, as suggested at page 29, the last paragraph, of that report.

I can suggest to you a very simple explanation of that program. When you have time, with your staff, if you would look at this report that I submitted called DBA, on page 13 there is a breakdown of how that program would work; and frankly, there are some houses being built in Dade County that ground will be broken on June 3, where deserving working poor people with a combination of a doc stamp mortgage and benevolent lending, will be able to get into a three-bedroom, two-bath house at a monthly cost of $247.

And I am not telling you we have enough of those to build them for all the folks who want them, but we are convinced now that the real villain in providing housing for the deserving working poor is the cost of capital, the cost of money.

We have one of the greatest, if not the greatest, home building capacity industries in the world. Our home builders could double the amount of housing starts we have now, at about 1½ million, but it is this cost of capital that is preventing that from happening.

So I invite you down on June 3 to see the ground breaking of those units.

I would just share with the committee that I have been involved for approximately 30 plus years in attempting to provide housing for poor and middle income people.

I had the pleasure of serving as chairman of our housing authority for 10 years, and after all those years, I have come to the conclusion there are no simple answers because the problems are very complex.

I think really, what it gets down to, in one form or another, is that a subsidy is needed, and the real question is what delivery system you are going to use to bring that subsidy to the American people.

When you really get down to basics, we don't have a housing problem directly, we have an income problem. We have a lot of people out there who simply aren't making enough money to be able to buy a house and maintain it.

And so, for so many Americans, the dream of owning a home has become a reality by virtue of wonderful programs like FHA, but for others it's a vanishing nightmare.

And what we need to do is create this package of being able to allow interest free loans and interest at a very, very low level to be given to people so they can afford to own this home.

Just in conclusion on benevolent lending on the program we have in Dade County, for the interest deduction, Senator, what we're really saying is the homeowner owns a home now, they can deduct their interest. If I loan someone else money to buy that and am willing to forego that interest, it would seem fair that the person lending the money is entitled to a similar deduction.

There is not double dipping, it is simply saying, take that deduction even though you are not using it for your own home. It would open up at very little cost to the Federal Government, a very substantial source of capital for housing.

Obviously, any one of the four of us could go on for about an hour and a half, but I would be pleased to finish my remarks and be pleased to answer any questions you may have.

Senator GRAHAM. Thank you very much. Marty, I have a few questions, and then I would like to ask the mayor and Mr. Don Campbell, who is with us today, the staff director of the Housing Subcommittee of the Senate Committee on Banking, Housing, and Urban Affairs, and Susan Abel, who is the housing liaison for our office, if they have further questions.

One of the things that I like to do when you are dealing with a complex problem is to try to have a clear understanding of what our goals are, and to quantify those goals to the extent possible.

With housing in its various components, first time, family ownership, elderly housing, low, moderate income, what do you think would be reasonable goals within the State of Florida to be accomplished in terms of units available between now and 1995?

EXPECTATIONS FOR FLORIDA

Mr. KOELEMIJ. Senator, in the report of the State Affordable Housing Study Commission, we came up with, I think, like 43,000 units per year until the year 2000, if I am correct, and that is just based upon our present conditions and saying that it will take that long at this pace to do it, until the year 2000, even though we might want to do it faster.

Mr. HENDRICKSON. Senator, I would point out that that is the correct figure; but of that, about 6,000 per year would be for very low income residents, the remainder for the other groups, so the level of subsidy needed would not be to deep subsidy 40 some thousand a year, but it would be about 6,000 a year in Florida for very low income.

Senator GRAHAM. Looking at the Rouse report and what would be reasonable to anticipate might be available in the State of Florida, what impact would it have on that 43,000 annual need?

Mr. KOELEMIJ. Senator, this morning Mr. Campbell and some of us spent time on that, in trying to analyze that, and it is very difficult.

It is going to depend upon what, ultimately, the Congress decides the method of allocating these funds—you know, the initial request was for $3 billion, and I think that was only because the commission was really under direction not to come out with wild amounts to scare off anybody.

We need to show that there is a different approach by leveraging money. Let's start with $3 billion, maybe it can turn into $4½ billion, and then see what we can do.

We set a goal that by the year 2000 we should cover the needs. I am afraid that that is not to be accomplished with these kind of levels of funding, but that is the only reasonable way, with the trauma of the budget that we live by, to really approach the Congress and to ask for some help.

We hope that some of that money will be spent on production rather than the idea of the present administration, that all you have to do is give people licenses to go hunt for a place to live, because that doesn't create affordable housing.

So your question, there is not an easy answer to your question, is what I am saying.

Senator GRAHAM. I recognize that. My importance on setting a goal is that it keeps you focused on what you have to accomplish.

It also causes you to maybe avoid excessive overstatement of how successful your efforts have been.

Mr. FINE. I would like to try to respond partially to your question about the numbers, and I believe it's virtually impossible to ascertain that number.

I might say that I have the pleasure of knowing Jim Rouse for about 30 years and working with him now on the Enterprise Foundation, but I suggest one method whereby we can determine the number of people who need help.

The original concept of public housing in 1937 was a halfway stop for people coming out of the depression to rehabilitate themselves, then go on to the private sector, and many of them did.

But I think if we were able to take a survey in Florida and then, of course, throughout the country of the existing families in public housing who are working, who are deserving, and who have the ability to get into private ownership at a reduced rate, that would give you a number.

For example, in Dade County we have 12,000 units. Three thousand are occupied by elderly people, and you and we know they are going to be there for the rest of their life, and we hope that is a long time.

Of the remaining 9,000, I would intuitively say a third of them could be responsible homeowners if they were afforded an oppportunity to go out and rent a home—pardon me—own a home at no more than 30 percent of their gross income, which is what they are paying under section VIII—or what they are paying in public housing in many cases.

So we really have to understand that the condition in public housing is very similar to what was happening in the elderly program.

We used to consider everybody over 65 elderly. We are now learning we have many grades of elderly, from 65 to 75 to 90.

Same thing with poor people. For the vast majority of people in public housing, in my opinion, there is an escape, there is a way out, if we give them an opportunity to have zero interest rate mortgages.

I think they can get in at about $250, at a maximum of $275 or $300 a month, and we open up an immense market.

I think we would then jump, John, from about 1.5 million in housing starts to 1.8 million or 1.9 million or 2 million in new housing starts, and all those new jobs would be created.

But some of those folks in Dade County, we have some projects in which there are third and fourth generation Miamians living in those housing projects. That is unacceptable to us as a society, in my opinion. They were never meant to that.

Mr. HENDRICKSON. Senator, on the question of trying to tie some kind of dollar figure to production in the budget initiative that is before the Florida legislature right now, there is $24 million for a rental production program.

That $24 million will produce about 1,000 units of apartments for very low income residents, and another 5,000 for low and moderate income residents.

So our goal is to maybe have 6,000 very low income per year. A fairly modest State initiative in the $24, $25 million range is going to be able to serve 16 to 20 percent of their projected need.

So if you had the Federal Government come in on an equal or maybe one for three, we could be addressing up to 40 or 50 percent of that projected need over the next 5 or 6 years.

Senator GRAHAM. Particularly, John has emphasized that the money in the HOP program should not be allocated under an eligibility, or strict allocation basis, but there should be some form of competitive process, and I would like to talk about that in a moment.

But just to keep the numbers in some mind, if Florida represents 5 percent of the Nation's population, which is about what it does, and we got 5 percent of the $3 billion, that would be $150 million.

What would be your ideas as to how that $150 million could be leveraged, starting with the leverage that might be entailed in who is qualified to get some of those funds.

CONDITION FOR RECEIVING FUNDS

What should the Federal Government expect of a State or local community as a condition for receiving the HOP funds, and how

should it utilize those in order to accomplish the maximum number of units?

Mr. KOELEMIJ. Well, Senator, as you say, $150 million, and if we say that under the concept that half of that should be leveraged by other funds from other sources, then you can see with the availability of money in the State, that we already would be far short of that.

So we would not be eligible to get the total, what you might call, allocation.

But I think the leveraging and the matching would be from whatever source the State would allocate, like we are now asking for. And I think that in addition to that, if the State knew that the Federal Government had more money available than it can obtain by not matching it properly, I think pressure would build to make more money available from State government; and in addition to that, from local efforts.

We take, for example, the documentary stamp tax, say, provision is now, it is optional to a county. I can guarantee you that counties, I just was appointed to my county, in Leon County, to a task force, we're going to look at that, to enact that, and to also get some of that.

I think local government can contribute, if it is eligible, in the ultimate legislation. For example, if there are systems service connection charges for either sewer, for water or for some other needs and they would forgive those for units that are produced for very low income families, then that could be counted as a matching contribution by local government, and I think that we need to look at some of those avenues.

Benevolent lending is another one. But that is still a very, as the report indicates, that requires some other effort on the part of the Congress which might be difficult, and that is to insure that you have to lend long and—or you have to borrow long—or short, and lend long, and that is a problem.

But these are some of the avenues that would be open, Senator, to build up that matching dollar, so to speak.

Mr. BOWERS. There is currently a bill both in the House and Senate to allow other counties to share in the documentary stamp funds. This is not available now to counties other than Dade County. Hopefully it will pass out this year or at some point.

Seems to me when you start bringing it in, you take $137 million and breaking it down to the counties, you are going to have to take out some kind of set aside for rural areas. Taking out the set aside for rural areas, I think Mr. Koelemij is absolutely right.

If you go to some kind of local incentive for one stop permitting, for the reduction based upon new construction in urban infill areas and areas maybe already where the water, sewer, other facilities are available, you encourage, as an incentive, additional awards of funds through the use of local funds, such as the doc stamp, to match State money.

And I think the State has got $30 million? It's magnificent. We are looking at $30 million this year.

But the State has to take a more, at some point, a bigger piece than that, and that would be an approach that would help us to deal with, and I think when we talk housing, we have got to look

RESPONSE TO

A DECENT PLACE TO LIVE

The Report of the National Housing Task Force

Richard Bowers, Director
Department of Housing & Urban Development
City of Jacksonville, Florida

I have been asked to comment on the Rouse Report from the perspective of Public Housing. Before responding to the report of the National Housing Task Force, it is necessary to look at where we are now.

In the State of Florida we are faced with an aging public housing stock, inadequate funds for comprehensive modernization (35 million is being made available through CIAP this year statewide, the local housing authorities have requested $144 million). Primarily because of the limitations of the 50% of median income occupancy rule, we are housing a population of senior citizens and single parent families. This population that we are housing needs substantially more social services than the cross section of lower income families housed under the 80% of median income occupancy rule. Operational cost increases including the high cost of insurance have placed a severe strain on the ability of local authorities to maintain their units, especially in urban areas.

The significant increase in drug trafficking and crime, especially in this immediate past year, has placed serious stress on our housing complexes to the extent that many of us are seeing increases in our vacancy rate because of families refusing to live in public housing out of fear even when we have significant waiting lists. Most authorities do not have security personnel.

Central to the recommendations of the task force as regards public housing is the need and assurance for a continued source of funding to adequately support the rehabilitation of

units feasible for rehabilitation, the increased need for social services and the addition of additional public housing units.

I concur with the report in that there are many lessons to be drawn from the fifty year experiment in federal/local partnership to deliver housing. However, the local and state governments in general have never been equal partners in the provision of public housing. This has become more obvious with the retreat on the federal level of the provision of adequate funds to provide for the aging housing stock.

There is no doubt that the federal government should support the restoration and revitalization of existing public housing units, realizing that some units because of poor design or density should be demolished and replaced with less dense, smaller scattered site projects.

The most seriously troubled projects and the most seriously troubled authorities must be identified and their problems remedied. There is no doubt that the federal government must take the lead. However, this can no longer be done without significant local involvement and funding and in some cases, state participation and funding. It is encumbent however, on the federal government to take the lead to create these partnerships.

The partnerships must address as the recommendations indicate, modernization of the existing public housing inventory. This modernization needs to be done in a reasonable time frame and the funding must be guaranteed over a reasonable length

of time in order to have the impact desired. In most cases, it should be possible to modernize all public housing in any given locale within a five year period. The funding should not be staggered. Generally, the projects that need modernizing are the projects that have occupancy problems, social service problems and have had maintenance problems for a long period of time. There must be a comprehensive and wholistic approach to the solution for these problems for any given project, even if this means local and state funding on a specific project to complement the federal participation.

Projects, to provide a reasonable quality of life for residents, must once again become communities. To once again become communities, the federal government should address the law requiring holding incomes of public housing residents to 50% of the median or less. Serious consideration must be given to reverting to the 80% of median income requirement for admission to public housing. The 50% income rule has resulted in the creation of single parent family primarily female, ghettoes - in family projects. These are persons, mothers and children, most likely to be preyed upon by the criminal element in any community and most likely to be defenseless.

Public housing as a service provision mechanism for low income housing may have reached its optimum. The steps that the task force recommends no doubt should be taken to maintain the existing public housing stock. However, serious

consideration should be given to the question as to whether public housing is a good continuing approach for the provision of affordable housing for low income persons.

The task force recommends that local authorities should continue efforts to involve tenants in project management. There have been several positive examples around the country of tenant management. The positive experiences have been where there were strong tenant personalities active for a long period of time in communities and where the local housing authority committed significant resources to the training and involvement of tenants. If tenant management is to be encouraged and expanded, a significant level of technical assistance will be required.

To conclude, Florida's local housing authorities are ready to participate in a partnership. However, adequate resources on a continuing basis must be provided from the federal level. For the first time we are looking to both the state and local levels for both assistance and financial support. In Florida, we must secure the funding to provide for the continuing operation, maintenance, and modernization of 45,000 units of public housing. Through public housing and/or other assisted housing programs on a state, federal and local level, we must provide housing for the immigration of low income families and persons coming to the State as well as continue the half-century of services to current residents.

at more than just the 50 percent median and less, we have got to talk up to 80 percent of median—not only the home ownership, but also, the very low income people.

There needs to be degrees of subsidy based upon the level of income and the level of mobility, so that as people get more income we can reduce the subsidy or share it or spread it further.

Mr. FINE. I would like to give you a direct answer to that question. My opinion would be, in terms of how you allocate the funds, I think that the Federal Government ought to match by a multiple of two to three times the amount of money any State puts up and the amount of money any county generates or puts up, where that county or metropolitan area or consortium of metropolitan areas is over a million people.

In other words, for example, in Dade County, if we raised $10 million from the documentary stamp tax, I think Congress ought to give us $30 million and say, you all use it in any program you want.

For the State as a whole, $30 million they are putting up now, they would get $90 million and allocate it around. That would cover rural and other areas.

The real sad part is, this is the first time to my knowledge in the history of the State of Florida, that it has made a direct, significant, major contribution to housing. It really ought to be closer to $100 million.

As they get incentives from the Congress, they may go up to that level.

GEOGRAPHIC TARGETING

Mr. HENDRICKSON. I think there is something very important though, in this distribution of funds, and that is with some exceptions from metro counties, the money does not need to be going to local government, it needs to be going to people building housing within different jurisdictions.

You don't need 67 different housing administration programs set up around the State of Florida.

There are some counties that can administer, but for the whole you can have geographic targeting without having individual program administration in every political jurisdiction. I think that is critical.

In terms of your matching, I think what we talked about what government needs to do. We should also have the system reward the private developers that go out and leverage the maximum from whatever source.

Whoever can build the most housing for the least amount of Federal and State dollars should be rewarded within the system, and I think that is at the heart of the scoring system for the use of the $30 million in the State initiative.

Senator GRAHAM. I'm sorry, I have used most of the time for questioning before this panel.

Mr. Mayor, do you have any questions?

Mr. ULRICH. As I sit here, I am a neophyte to this effort, but I have a concern that, and I guess it's a conceptual one, I haven't heard anybody talk about, the old maxim about, you give a man a

fish, you feed him for a day; teach him to fish, and you feed him for a lifetime.

It seems to me that one of our urban housing efforts that failed some 20 years ago was the failure to teach people when they went into these projects, how to care for them, or offer some incentive to care for those projects.

And it seems to me if all we do is build houses and put people in them, and we are addressing several groups of people—I hear Mr. Fine talk about those who are deserving working people, I didn't hear that from any of the three of you, I heard from the poor and impoverished—and it seems to me there is a difference between the groups of people that you addressed and the groups of people that some of the rest of you addressed, particularly Mr. Bowers, as I listened to your comments about the projects.

So one of the concerns that I have is that along with such a program, that we attempt to teach those who are the beneficiaries of Federal or local largesse, to treat their units with care so that we have the kind of results, at least we could have the kinds of results, the second and third generation living in the project.

Mr. FINE. May I respond to that for a moment? I am very pleased to tell you that Miami Dade Community College has such a program that it implements with all these first time homeowners and public housing tenants.

Thanks to Senator Graham and the Florida legislature, the community colleges throughout the State have that capacity, if they will do it. That program is alive, working well in Dade County.

I think your point is exceedingly well taken. If folks don't know how to take care of their homes, forget it.

By the way, that saying you started with is by Maimonides in the 12th century, and it's more valid today than it ever was.

Mr. ULRICH. I am glad for the source.

Mr. BOWERS. I want to respond, because I think your point is well made. I think all of us feel that, and all of us in public housing have looked at that kind of program.

But traditionally, the public housing programs have had two sources of funding; either the Federal Government or the rents.

When you develop your budget that goes to the U.S. Department of Housing and Urban Development, the first thing that they take out are the social services, the security services, and the emphasis they place is on maintenance.

Now, even with that, even with that I can tell you that there are many public housing authorities—the directors sitting in this room—who will tell you that we have more than double the industry standard of maintenance people to units. Industry standards is about one to 50, easily in my complexes, it's one to 80, one to 90. We don't have the resources either to do the inspections or to stay after the people.

Tied in with the fact that the people that we have are the people who are the most needy in terms of that kind of supportive services and staying behind it, it has created not over 1 year, over 2 years, I am talking about over 15 or 20 years, literally a crisis situation that every, I think all of us have faced up to what has happened in Dade County, that we are not far from that point in terms of the

sort of having to go in and do a major renovation of every system within the public housing.

And it's, it's gotten to the point, many of us feel like the question of being the messenger that gets shot. You hate to keep saying it because people will say, well, why, why did you let it get this way. Well, it happened over a period of time, it just didn't happen yesterday.

Yes, you are absolutely right, those services need to be provided, and if we are going to make people mobile and to get out of this third and fourth generation, we are going to have to do that.

Senator GRAHAM. Thank you Mr. Mayor. Don, do you have any questions?

Mr. CAMPBELL. No, all of my major questions have been addressed already, and I appreciate the comments that have already been made, and I fully intend to get in touch with each one of you as we refine the legislation over the next few weeks.

Thank you.

Senator GRAHAM. Thank you very much for a very excellent and informative set of presentations, and I look forward to the opportunity to be back in touch with each of you as this process moves from hearing to bill drafting and into consideration at a markup session. Thank you.

Our second panel includes a number of Floridians who have been housing advocates involved in the direct administration and provision of housing in their individual communities.

As we did with the first panel, I would like to ask them if they would please come forward. I will introduce them by name and title, ask for their statements, after which there will be a time for questions.

Mr. Welch, Mr. White, Miss Noel, Miss Thompson, and Mr. Braun, could you please come forward.

I apologize for the crowded witness table that we have.

On panel 2 we will hear from Mr. David Welch, who is the vice mayor and housing committee chairman for the city of St. Petersburg, and I want to thank the vice mayor for his hospitality in making it possible also for us to be here today; Mr. Edward White, who is the executive director of the St. Petersburg Public Housing Authority.

Mr. GILLESPIE. Senator Graham, my name is Gillespie. Mr. White called me this morning. He is suffering from voice problems.

I am a member of the housing board of commissioners, and I agreed to read his prepared text, with your indulgence.

Senator GRAHAM. Mr. Gillespie, your first name is?

Mr. GILLESPIE. Jim Gillespie.

Senator GRAHAM. James. Thank you, Mr. Gillespie. Ms. Carol Noel, the executive director of the Florida Nonprofit Housing Corp., Ms. Ann Thompson, the administrator of Cathedral Residences in Jacksonville, and Mr. Roger Braun, president of the Florida Association of Housing and Redevelopment Officials. Roger.

First, Mr. Welch.

STATEMENT OF DAVID WELCH, VICE MAYOR AND HOUSING COMMITTEE CHAIRMAN FOR THE CITY OF ST. PETERSBURG

Mr. WELCH. Thank you. Senator Graham, I certainly appreciate you being here on behalf of the city and the entire State, because this is a hearing that is vitally needed. I request that this testimony be made a part of this hearing.

Senator GRAHAM. It shall be, and any other members of the panel who have a statement or supplemental materials that they would like to submit for the record are welcome to do so and encouraged to do so, and as Mr. Campbell indicated, the record will remain open for at least another 2 weeks, should you wish to do so during that time period.

Mr. WELCH. Thank you very much. The city of St. Petersburg has long recognized the need to develop and maintain home sites of sufficient quantity and quality to meet the demand of area residents.

The city of St. Petersburg has attempted to respond to these local housing needs across a varied and diverse socioeconomic base, ranging from low to moderate to high income residents.

To meet the housing needs of its residents, the city of St. Petersburg worked cooperatively with various community and nonprofit agents to address the housing needs by providing limited funding to those agents, which seeks to house, care for, and redirect the lives of the homeless.

In addition, the city of St. Petersburg also provides moneys from CDBG allocations to support services necessary to renovate and rehabilitate residential structures that might otherwise be lost to the negligence of despair.

Throughout the years, the city of St. Petersburg has worked cooperatively with the St. Petersburg Housing Authority to provide housing for low income residents.

Because of the age and deterioration of public housing structures, the city of St. Petersburg for the past several years has provided financial assistance to the St. Petersburg Housing Authority to provide rehabilitation and maintenance of public housing projects.

Because of limited resources, the city of St. Petersburg was able to, only to fund partial moneys for the rehabilitation and maintenance, which is inadequate.

In recent years, the city of St. Petersburg has worked diligently to develop alternatives, innovative programs to meet the housing needs of the area.

CERTIFICATE OF INSPECTION

Currently, the city of St. Petersburg is developing a certificate of inspection program to require the inspection and restoration of all dwelling units before their reoccupancy.

Through the certification of inspection program, the city of St. Petersburg intends to set and maintain consistent housing standards and provide for the enforcement of those standards through the inspections of unoccupied dwellings whose conditions are threatening to the health and safety of the community.

The city of St. Petersburg takes seriously its commitment to insure appropriate housing for its residents and will continue to monitor and respond to the housing needs of its community.

Although the city of St. Petersburg is dedicated and committed to provide a low cost and affordable housing to its citizens, it has failed to attain its goal. This came about because of limited city revenues, cut back in the allocation of Federal funds, low priority of housing needs, both on the State and Federal level.

Today in the city of St. Petersburg, there is a critical need for low income and affordable housing. Housing is needed for the homeless, as well as temporary housing for those who, for various reasons, are displaced from their homes for short durations of time.

Unless affordable housing is made available for those in need, we will continue to see an escalation of crime, drug users, and school dropouts. This is due to living conditions and the environment in which children and individuals are born and reared, and is a foundation of our Nation and its future.

The Federal Government, State government, cities, and the private sector must come together to see that affordable housing for all is a common goal; not tomorrow, but right now. Thank you very much.

[The complete prepared statement of Mr. Welch follows:]

Senator GRAHAM. Thank you very much, Mr. Welch. Mr. Gillespie.

STATEMENT OF EDWARD WHITE, EXECUTIVE DIRECTOR, ST. PETERSBURG PUBLIC HOUSING AUTHORITY

Mr. GILLESPIE. Senator Graham, Mayor Ulrich, members of the panel, I am presenting the testimony of Edward White, Jr., executive director, Housing Authority of the city of St. Petersburg.

Senator Graham, I want to commend you for your initiative in holding these important hearings.

Subsidized housing nationally and here in Florida is in crisis: A crisis of supply, a crisis of affordability, and a crisis of decay and deterioration of existing stock.

THE CRISIS OF HOMELESSNESS

The current housing crisis is most graphically illustrated by the homeless problem. All of us watch daily while the crisis of homelessness plays out before us. We see it on our TV screens and we see it in public parks, cars, and abandoned buildings in our own communities.

These discomforting symptoms reflect only the tip of the iceberg. Homeless people also include the many families who are doubled up in overcrowded housing units.

In the past we have mistakenly identified the homeless as individuals, particularly those who are burdened with drug and/or alcohol abuse problems, and the mentally handicapped. That myth has been exploded by the reality of seeing entire families, sometimes still employed but without homes, living in the street or out of cars.

There is a direct correlation between the growing homeless crisis and the morally bankrupt philosophy of the current administration, which since 1981 has cut authorizations for new housing assistance for lower income households over 80 percent.

Funds for the construction of new public housing units have been cut 87 percent. Many other programs which are important production subsidy vehicles, such as of the section 8 new construction and substantial rehabilitation housing assistance programs, have disappeared from sight.

Lack of adequate Federal funding has been the primary cause of the severe shortage of low income housing. Other factors have exacerbated the problem, including:

One, a large number of low income housing units have been lost to demolition or structural conversions. Between 1973 and 1983, 4.5 million rental units were lost nationally, roughly half of which were low income.

Two, rental rehabilitation without subsidy, the polite term for gentrification, more than doubled between 1982 and 1986, reflecting a return to the city by middle income and upper middle income households at the expense of lower income households.

Three, the tax reform act of 1986, which already had an immeasurable effect upon housing in two ways:

(a) It has severely reduced the use of tax exempt financing as an important tool of housing production.

(b) The 1986 tax act eliminated the favorable treatment of low income housing by lengthening depreciation life of rental housing. This has removed a major incentive for investment.

I would like to briefly describe the effects of administrative policy toward low income housing within the context of St. Petersburg.

The housing authority of the city of St. Petersburg administers just over 3,000 subsidized units presently. Demand for subsidized housing is so strong, nearly all of the units are constantly full. In fact, we currently have over 1,800 households on our waiting list for assisted housing, even though some waiting lists have been closed for up to 5 years, and most for at least a year.

During the past 6 years, the housing authority has averaged only 50 new units of subsidy per year, despite the large number of households on the waiting list, not to mention the steady flow of immigration to Florida, nearly 900 people per day, including many low income households.

The housing authority has no capacity to respond to the massive waiting list or to the growing homeless population in the area. We desperately need a major infusion of new subsidized units, which will occur only within the framework of a new national housing initiative.

Fortunately, the prospects for a more rational and sensitive response to the current housing crisis appear likely based upon the recommendations of the Cranston-D'Amato report and the Rouse-Maxwell report.

I was encouraged by the following report language from Rouse/Maxwell, and I quote:

> We cannot tolerate the suffering to which more and more of our people are consigned * * * there must be answers, and as a nation, we must find them. The time has come to raise these conditions to a compelling level of concern * * * to the highest priority of attention and commitment.

I strongly endorse this recommendation and urge you and the other members of the Senate Banking, Housing and Urban Affairs Committee to embrace this precept, and get the Federal Government moving again in housing.

I would like to conclude by recommending in outline form some specific suggestions for your committee to consider. These include:

HOLD THE LINE ON CURRENT FUNDING LEVELS

This year, the pressures will be greater than ever to reduce Federal spending for housing programs in order to provide increases in other programs, including NASA.

Subsidized housing can no longer be the target of shortsighted Federal funding cuts which manifest a philosophy of social neglect unparalleled in the Western World today. The first order of business in a renewed Federal commitment to housing must be to hold that line against further funding cut backs this year.

FEDERAL TAX POLICY

Restore the use of Federal tax policy as an incentive to build new housing.

Accelerated depreciation for low income housing should be restored. Wider use of tax exempt financing should be permitted. The low income tax credits authorized in the 1986 tax act need to be liberalized and extended beyond their current sunset date of 1989.

FEDERAL LOW INCOME HOUSING PROGRAMS

Develop and expand Federally assisted low income housing production programs.

In order to make a meaningful response to our Nation's housing needs, a low income housing production program is a must. Such a program must be sufficiently flexible to allow nonprofits, profit motivated private sector interests, and competent public housing authorities to use their existing experience and resources to help build the millions of units necessary to realize the dream of an affordable, safe, and suitable home for every American.

It is particularly important that the public role be preserved for two reasons.

One, historically, the public sector agencies, such as the housing authority, have been more willing than other participants to accept the responsibility of housing all the needy. Too often, for profit motivated developers and many private, nonprofits have been so selective in handing out assistance, they help only the aristocracy of the poor, leaving the most disadvantaged households to be assisted by the public agencies, which have been the housers of last resort. The absence of a clear, strong public development role will bring unwarranted hardship upon the most desperate of the poor.

Two, too often, privately owned subsidized housing only serves as a temporary low income resource. After the economic incentives for low income occupancy have expired, the housing finds more economically rewarding uses such as condominiums, shopping centers, and similar nonlow income housing uses.

Only public housing tends to remain in perpetuity as a low income housing resource for the community.

RENTAL ASSISTANCE HOUSING PROGRAM

Continue and expand a vigorous rental assistance housing program.

For many lower income households, affordability of existing private housing is the sole barrier to quality housing. Continuation of and expansion of Federally supported rental assistance programs will allow many such households to take their place in the private housing market, aided through rental subsidies.

I want to register a strong protest against the use of the housing voucher program as the most favored rental assistance subsidy program. Several national and local studies, including one here in St. Petersburg, have shown the housing voucher program:

One, to be relatively expensive when compared to the section 8 existing housing program;

Two, to distribute subsidy without regard to actual need;

Three, to place a heavier burden on participating tenants; and

Four, to allow abuses by participating landlords against unsophisticated tenants.

TESTIMONY OF DAVID T. WELCH, COUNCILMAN

NATIONAL HOUSING HEARING

May 4, 1988

The City of St. Petersburg has long recognized the need to develop and maintain homesites of sufficient quantity and quality to meet the demand of area residents. The City of St. Petersburg has attempted to respond to these local housing needs across a varied and diverse socio-economic base, ranging from low-, to moderate-, to high-income residents.

To meet the housing needs of its residents, the City of St. Petersburg works cooperatively with various community and non-profit agencies to address the housing needs by providing limited funding to those agencies which seek to house, care for, and redirect the lives of the homeless. In addition the City of St. Petersburg also provides monies from C. B. D. G. allocation to support services necessary to renovate and rehabilitate residential structures that might otherwise be lost through neglect or disrepair.

Throughout the years, the City of St. Petersburg has worked cooperatively with the St. Petersburg Housing Authority to provide housing for low-income residents. Because of the age and deterioration of public housing structures, the City of St. Petersburg, for the past several years has provided financial assistance to St. Petersburg Housing Authority to provide rehabilitation and maintenance of public housing projects. Because of limited resources, the City of St. Petersburg was able only to fund the amount of $200,000 which is inadequate.

In recent years, the City of St. Petersburg has worked diligently to develop alternate, or innovative programs to meet the housing needs in the area. Currently, the City of St. Petersburg is developing a "Certificate of Inspection" program to require the inspection and restoration of all dwelling units before their re-occupancy. Through the Certificate of Inspection program, the City of St. Petersburg intends to set and maintain consistent housing standards and provide for the enforcement of those standards through the inspection of unoccupied dwellings whose immediate conditions are less threatening to the health and safety of the community.

The City of St. Petersburg takes seriously its commitment to ensuring appropriate housing for its residents, and will continue to monitor and respond to the housing needs of its community.

Although the City of St. Petersburg is dedicated and committed to providing low-cost and affordable housing to its citizens, it has failed to attain its goal. This came about because of limited city revenues, cutbacks in the allocation of federal funds, low priorities of housing needs both on a state and federal levels.

Today in the City of St. Petersburg, there is a critical need for low income housing. Housing is needed for the homeless, as well as temporary housing for those who for various reasons are displaced from their homes for short durations of time.

Unless afforadable housing is made available for those in need, we will continue to see an escalation of crime, drug users, and school dropouts. This is due to living conditions, and the environments where children and individuals are born and reared in is the foundation of our nation and its future. The federal government, state government, cities, and the private sectors must come come together to see that affordable housing for all is a comron goal, not tomorrow, but now!!

Maintenance of existing privately owned subsidized housing units.

Over 300,000 privately owned subsidized units will become eligible during the next 5 years for mortgage prepayment and opting out of the program.

The loss of these units would be catastrophic to the Nation's supply of low income housing, and today's average cost of newly constructed housing would cost over $30 billion to replace.

We must find reasonable incentives to keep these units available as low income housing. However, mortgage prepayments are only part of the problem

Between now and 1993, some 864,000 individual tenants and project based subsidies are scheduled to expire. The loss of these units would make today's crisis seem like a picnic.

The Federal Government must support the restoration and revitalization of existing public housing.

The news media and even Congress have been quick to criticize public housing failures. Too often overlooked are the enormous successes which are far more characteristic, but which predictably attract little or no attention.

The 1.3 million public housing units subsidized by the Federal Government have been home to an estimated 12 plus million households in the 50 years since the inception of the program.

Notwithstanding the highly publicized failures, the vast majority of the 12 million families have had safe, secure, affordable housing far superior to what they would have had without access to the subsidy.

Moreover, public housing has been a relative bargain. The average operating subsidy per unit is only $1,200 per year, compared to outlays of roughly $8,000 per unit for section 8 and housing voucher units.

Even when capital grants, CIAP, and debt service for original construction costs are added, public housing has been less costly than any other subsidy program.

In St. Petersburg, the total subsidy per unit is less than $1,500 per public housing.

Rather than the privatization of public housing, the Federal Government should embark upon a massive restoration program to preserve and improve the public housing.

The major elements of this program should include: Capital grants, Comprehensive Improvements Assistance Program, CIAP, needs to be expanded to allow for the correction of existing code violations and latent design defects to improve handicap access.

Redesign operating subsidy allocation program. The current HUD operating subsidy system seriously underfunds most large PHA's, and does not recognize the need for social or security programs, and fails to respond to changing circumstances.

Social services and security. Almost every day, TV or newspaper shows focus attention on the effects of the Nation's crack-cocaine epidemic. There are many complex reasons why some public housing sites become victimized by drug traffic and related crime, including, in many cases, these projects reflect a discriminatory attitude of the localities that built them. They are intractably isolated,

lack adequate services, are segregated, are in neighborhoods which are worse than the public housing.

Another reason is related to the role of public housing as the houser of last resort. Too often public housing projects are used as dumping grounds for households with complex social problems and which other subsidy programs refuse to serve.

In conclusion, whatever the reason, public housing needs to be equipped with the financial resources necessary to implement human service programs, including security.

I have a more detailed statement from Mr. White to submit. I want to thank you for your time, your interest, and the oppportunity to speak, and I apologize if I exceeded my time.

[The complete prepared statement of Mr. White follows:]

Testimony of Edward White, Jr., Executive Director
Housing Authority of the City of St. Petersburg
Before

Senator Graham, I want to commend you for your initiative in holding these important hearings. Subsidized housing nationally and here in Florida is in crisis - a crisis of supply, a crisis of affordability and a crisis of decay and deterioration of existing stock.

The current Administration's response to the widening crisis in housing includes the proposed privitization of existing, subsidized housing, elimination of all federally subsidized housing production programs and expansion of the basically experimental housing voucher program to serve as the sole federal housing strategy.

Thank you for your recognition of the gross inadequacy of the Administration's subsidized housing proposals and your insistence that the federal government maintain and increase its commitment towards housing needy American families. Leadership on the housing issue has been lacking for too long in the U.S. Senate. With your support, I believe we can forge a viable federal housing program which will allow this nation to renew its so far unfulfilled pledge to offer every American family a decent, safe, sanitary and affordable home.

Crisis of Homelessness

The current housing crisis is most graphically illustrated by the homeless problem. All of us watch daily while the crisis of homelessness plays out before us. We see it on our T.V. screens and we see it in public parks, cars and abandoned buildings in our own communities.

Those discomforting symptoms reflect only the tip of the iceberg. Homeless people also include the many families who are doubled up in overcrowded housing units.

In the past, we have mistakenly identified the homeless as individuals, particularly those burdened with drug and/or alcohol abuse problems and the mentally handicapped. That myth has been exploded by the reality of seeing entire families sometimes still employed, but without homes living in the streets or out of cars.

There is a direct correlation between the growing homeless crisis and the morally bankrupt philosophy of the current administration which since 1981 has cut authorizations for new housing assistance for lower income households over 80 percent. Funds for the construction of new public housing units have been cut 87 percent. Many other programs which were important production subsidy vehicles such as the Section 8 new construction and substantial rehabilitation housing assistance programs have disappeared from sight.

Lack of adequate federal funding has been the primary cause of the severe shortage of low income housing. Other factors have exacerbated the problem including:

1. A large number of low income housing units have been lost to demolition or structural conversions. Between 1973 and 1983, 4.5 million rental units were lost nationally, roughly half of which were low income.

2. Rental rehabilitation without subsidy, the polite term for gentrification, more than doubled between 1982 and 1986 reflecting a return to the city by middle income and upper middle income households at the expense of lower income households.

3. The Tax Reform Act of 1986 has already had a measurable negative effect upon housing it two ways:

   a.) It has severely reduced the use of tax exempt financing as an important tool of housing production.

   b.) The 1986 Tax Act eliminated the favorable treatment of low income housing by lengthening depreciation life of rental housing. This has removed a major investment incentive.

I'd like to briefly describe the effects of administrative policy towards low income housing within the context of St. Petersburg.

The Housing Authority of the City of St. Petersburg administers just over 3,000 subsidized units presently. Demand for subsidized housing is so strong, nearly all of the units are constantly full. In fact, we currently have over 1,800 households on our waiting lists for assisted housing even though some waiting lists have been closed for up to five years and most for at least a year.

During the past six years, the Housing Authority has averaged only 50 new, units of subsidy per year despite the large number of households on the waiting list, not to mention the steady flow of immigration to Florida, nearly 900 people per day including many new low income households.

The Housing Authority has no capacity to respond to its massive waiting list or to the growing homeless population in the area. We desperately need a major infusion of new subsidized units which will occur only within the framework of a new national housing initiative.

Fortunately, the prospects for a more rational and sensitive response to the current housing crisis appears likely based upon the recommendations of the Cranston-D'Amato Report and the Rouse/Maxwell Report.

I was encouraged by the following report language from Rouse/Maxwell: "We cannot tolerate the suffering to which more and more of our people are consigned . . . there must be answers, and as a nation we must find them. The time has come to raise these conditions to a compelling level of concern . . . to the highest priority of attention and commitment . . ." I strongly endorse this recommendation and urge you and the other members of the Senate Banking, Housing and Urban Affairs Committee to embrace this basic precept and get the federal government moving again in housing.

I'd like to conclude by recommending in outline form some specific suggestions for your Committee to consider. These include:

<u>Hold the Line on Current Funding Levels</u>

This year the pressures will be greater than ever to reduce federal spending for housing programs in order to provide increases in other programs including NASA. Subsidized housing

can no longer be the target of short sighted federal funding cuts which manifest a philosophy of social neglect unparalled in the western world today. The first order of business in a renewed federal commitment to housing must be to hold the line against further funding cutbacks this year.

Restore the Use of Federal Tax Policy as an Incentive to Build New Housing

Accelerated depreciation for low income housing should be restored. Wider use of tax exempt financing should be permitted. The low income tax credits authorized in the 1986 Tax Act need to be liberalized and extended beyond their current sunset date of 1989.

Develop and Expand Federally Assisted Low Income Housing Production Programs

In order to make a meaningful response to our nation's housing needs, a low income housing production program is a must. Such a program should be sufficiently flexible to allow non-profits, profit motivated private sector interests and competent public housing authorities to use their existing experience and resources to help build the millions of units necessary to realize the dream of an affordable, safe and suitable home for every American. It is particularly important that the public role be preserved for two reasons.

1. Historically, the public sector agencies such as the Housing Authority has been more willing than other participants to accept the responsibility of housing all the needy. Too often for-profit motivated developers and many private, non-profits have been so selective in handing out assistance, they help only the aristocracy of the poor, leaving the most disadvantaged households to be assisted by the public agencies which have been the housers of last resort. The absence of a clear, strong public development role will bring unwarranted hardship upon the most desperate of the poor.
2. Too often, privately owned subsidized housing only serves as a temporary low income resource. After the economic incentives for low income occupancy have expired, the housing finds more economically rewarding uses such as condominiums, shopping centers and similar non-low income housing uses. Only public housing tends to remain in perpetuity as a low income resource for the community.

Continue and Expand a Vigorous Rental Assistance Housing Program

For many lower income households affordability of existing private housing is the sole barrier to quality housing. Continuation of and expansion of federally supported rental assistance programs would allow many such households to take their place in the private housing market aided through rental subsidies.

I want to register a strong protest against use of the housing voucher program as the favored rental assistance subsidy program. Several national and local studies, including one here in St. Petersburg, has shown the housing voucher program:

1. to be relatively expensive when compared to the Section 8 existing housing program;
2. to distribute subsidy without regard to actual need;
3. to place a heavier burden on participating tenants;
4. to allow abuses by participating landlords against unsophisticated tenants.

Maintenance of Existing Privately Owned Subsidized Housing Units

Over 300,000 privately owned subsidized units will become eligible during the next five (5) years for mortgage prepayment and opting out of the program. The loss of those units would be catastrophic to the nation's supply of low income housing and at today's average cost of newly constructed housing would cost over $30 billion to replace. We must find reasonable incentives to keep these units available as low income housing. However, mortgage prepayments are only part of the problem. Between now and 1993 some 864,000 individual tenant and project based subsidies are scheduled to expire. The loss of these units would make today's crisis seem like a picnic.

The Federal Government Must Support the Restoration and Revitilization of Existing Public Housing

The news media and even the Congress has been quick to criticize public housing failures. Too often overlooked are the enormous successes which are far more characteristic but which predictably attract little or no attention.

The 1.3 million public housing units subsidized by the federal government has been home to an estimated 12 plus million households in the 50 years since the inception of the program. Notwithstanding the highly publicized failures, the vast majority of the 12 million families have had safe, secure, affordable housing far superior to what they would have had access to without the subsidy.

Moreover, public housing has been a relative bargain. The average operating subsidy per unit is only $1,200 per year compared to outlays of roughly $8,000 per unit for Section 8 and housing voucher units. Even when capital grants (CIAP) and debt service for original construction costs are added, public housing has been less costly than any other subsidy program.

In St. Petersburg the total subsidy per unit is less than $1,500 for public housing.

Rather than privitization of public housing, the federal government should embark upon a massive restoration program to preserve and improve public housing. The major elements of this program should include:

Public Housing Operating Subsidies.

Each year Public Housing Authorities (PHAs) go begging to Congress for operating subsidies and modernization money. It seems like the same old story every year. These funds must be supplied annually in order to guarantee that the operating budgets of PHAs are adequately supported. The statute requires that operating subsidies be equal to the difference between the reasonable costs of the PHAs and the income which PHAs are allowed to obtain from rents and other sources.

I am attaching to this testimony the amounts CLPHA thinks are needed for FY89 operating subsidies as well as for FY88 supplemental funding; and I would like to ask for your consideration of these recommendations. (Attachment A)

We especially ask for your help in obtaining funds that are adequate to cover the PHAs' reasonable costs of insurance. Because the Performance Funding System (PFS) does not adequately take these costs into account, PHAs are having to sustain significant cuts in their other areas of operation in order to obtain adequate risk-protection coverage. HUD has been directed statutorily to make these adjustments to PFS by no later than June 1988, but because of the Department's foot-dragging, CLPHA has finally been forced to sue HUD to try to bring these changes about.

I would also like to request your help in bringing pressure to bear on the U.S. Department of Housing and Urban Development (HUD) to revise the way in which operating subsidy funding levels under the Performance Funding System (PFS) are calculated. Because this formula has not be revised in over ten years, many PHAs are going seriously underfunded -- especially PHAs in the South and especially in Florida. The St. Petersburg Housing Authority and many, many others need changes in this formula to reflect the increased tasks we are being asked to do in providing housing for the homeless, the frail elderly and a variety of other special needs groups.

Modernization.

Senator Graham, the Senate has been very helpful in providing funds for upgrading the public housing stock to enable us to continue providing adequate shelter for the needy. We thank you for your help, but even more is needed in the future.

The modernization needs of public housing were severely neglected for the first four decades of public housing's

existence. During this time, adequate modernization (capital) funds were not provided to public housing either in the form of direct capital funds or through operating subsidies adequate for major capital improvements. As a result, a major backlog of modernization needs developed.

We now have the first report out of the HUD/Abt study of public housing modernization needs. The figures contained in this 'national estimates report' are shown in Attachment B, along with figures from a "policy paper" put out by HUD at the same time. Even considering only those items where the inspecting architects and engineers either 'strongly agreed' (code 1) or 'agreed' (code 2), these needs came to over $18 billion. While this may sound like a large number, the total of "FIX plus agreed-upon ADDs" came to only $13,300 per unit on the average, not really very high -- especially when compared to the value of the stock we're trying to preserve, the age of that stock, and the pattern of neglect that has occurred historically.

Notwithstanding that these on-site inspections were carried out by teams of professional architects and engineers, HUD issued the final "national estimates" report of the Abt study a few weeks ago accompanied by its own policy pamphlet and a press release saying that HUD only thought there was seven to nine billion dollars in need, and even less after deducting funds already in the pipeline.

In announcing its lower figures, HUD peremptorily rejected the results of the architectural and engineering surveys which cost over $5 million to obtain, and proclaimed instead a new and hitherto undiscussed potential HUD policy line that in the future the federal government should fund only the mandatory items in HUD's own handbook. This new policy direction would run directly counter to HUD's current regulations, which require that PHAs include in their comprehensive modernization projects all the work that is needed to ensure the 20-year viability of public housing developments.

CLPHA recently carried out its own study of modernization needs in public housing by gathering information from the 5-year modernization plans which over 40 of the largest PHAs in the country had submitted to HUD. CLPHA's survey confirmed a modernization need of over $18 billion for the nation as a whole, and also indicated that over 30% of the units had a need of under $5,000 in modernization funding. (See Attachment C)

Senator Graham, all of the real studies point to the serious need to continue to upgrade the stock. We would

like to ask that you help to put us on a 5-8 year track to achieve this goal, similar to highways and other programs that have a planned schedule for capital improvements.

Lead-based paint.

The Housing Act of 1987 laid down new statutory requirements for the testing and abatement of lead-based paint problems in public and private housing. HUD has reacted in panic and confusion to these new requirements. In March 1988, HUD issued a notice which totally changes the priorities for the use of 1988 CIAP funds. The notice was effective on March 4, the date that preliminary applications for these funds were due at HUD. In fact, the notice didn't get out to the PHAs until several weeks later.

Aside from the administrative turmoil this creates, with HUD regional and field offices across the country interpreting this guidance differently, the real problem is that the Notice mandates that PHAs immediately begin enormous lead-paint testing and abatement programs that are likely to increase the health hazards to children.

HUD has also proposed an amended lead-based paint rule. Comments were due April 29. CLPHA and other groups have submitted objections to this new rule.

These are major issues for us. We want to get everybody working together in realistic directions, with the urgency this matter deserves; but we need your help in de-railing HUD's misguided attempt to redirect the use of the 1988 CIAP money. For example, public housing could be included in the 18-month pilot program to be carried out for other kinds of housing programs.

Major reconstruction.

Major reconstruction funds are greatly needed for those surprisingly few yet highly visible "most troubled projects".

The results of CLPHA's recent modernization research show that in the PHAs' own plans, 3.5% of the public housing units are considered "high needs, potential viability problems, but no major redesign needed"; another 2.5% are considered "high needs, potential viability problems, major redesign needed"; and yet another 2.4% are being considered for demolition. [For more detail, see Attachment D.]

CLPHA's efforts to study and identify these problems are only a small first step. Much more needs to be done. HUD should gear itself up for this major task.

As a part of the HUD/Abt modernization needs study, there was an in-depth analysis of 75 public housing projects where the PHAs said major redesign was needed. Someone needs to look at the results of that analysis, focus intensively on what needs to be done about this issue, and issue a series of recommendations accordingly. We don't see this anywhere on HUD's research agenda. Shouldn't it be there?

Development.

The new development program has been reduced to a trickle. The pipeline is almost empty. As a result, the pipeline of people waiting for housing assistance is clogged. There are over a million households on the waiting list.

PHAs are being asked to take on new and complex responsibilities such as housing the frail elderly and other special needs groups. Our Authority and others across the country are working with non-profit organizations and mental health service organizations to provide housing for the mentally and physically handicapped in our communities.[True in St. Pete?] We need more flexible programs to do this, as well as funds to help establish the services that are needed to accompany this housing.

Obviously, these new programs should be designed to avoid the most serious mistakes of the past. Public housing should be built at smaller scales, with improved design, and better integrated into the neighborhoods where it is located. We especially ask your help in improving the design of our developments for the elderly and frail elderly. HUD has imposed unreasonable regulations in this area, requiring elderly units generally to be studios (zero bedrooms) only, whereas the elderly greatly prefer one-bedroom units, and also failing to fund space for a variety of much-needed services.

We ask you, too, to increase the capacity for public housing development in the future. Keep the skills up, both at the PHA level and at HUD. Please put more money into the pipeline to keep it going.

Many have questioned whether it makes sense, from the point of view of cost, to build more subsidized housing instead of simply providing additional rent certificates for low-income households to use in the private market. While this picture may have been correct ten years ago, the much higher rent levels in the 1980's, comparatively speaking, have now made new development cost-competitive again.

Dr. William Apgar of the Joint Center for Housing Studies of Harvard/MIT, citing changes in the nation's housing supply and the rapid escalation of rents during the early 1980's, has stated that "When policy analysts studied housing problems in the mid-1970s, it was common for them to conclude that, compared to the cost of building new housing, the rents on existing housing were a bargain. Housing assistance in the form of cash payments or demand side subsidies was an inexpensive way of providing housing assistance. This unfortunately, is no longer true." (Because of the higher level of current private market rents.) This is another strong argument for getting the development program going again.

Prof. Michael Stegman of the University of North Carolina, in a recent paper on public housing, said "Overall, government studies show public housing to be a cost-effective form of low income housing, which enjoys an even greater cost advantage over other forms of subsidized development because the buildings remain in public ownership after they are paid off at the end of forty years." [Stegman, "The Role of Public Housing in a Revitalized National Housing Policy," April 1988, p.i.]

I have included in Attachment E some of CLPHA's principal concerns about the current Section 8 certificate and voucher programs.

Once again, Senator Graham, we deeply appreciate your efforts on behalf of public housing and for each of us, as we strive to meet the housing needs of the poor in our communities.

ATTACHMENTS TO TESTIMONY OF EDWARD WHITE, JR., EXECUTIVE DIRECTOR OF THE HOUSING AUTHORITY OF THE CITY OF ST. PETERSBURG, BEFORE THE BANKING, HOUSING AND URBAN AFFAIRS COMMITTEE, U.S. SENATE, MAY 4, 1988.

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ATTACHMENT A

Figure 1

COMPARISON OF RESULTS OF ABT MODERNIZATION NEEDS STUDY AND FIGURES SHOWN IN HUD POLICY PAPER.

	$ millions Abt	HUD
FIX	$9,307	$9,307
ADDS (ISO = 1 - 2 only)		
(a) required by code or modernization handbook standards (for health and safety or systems integrity) ("mandatory ADDs")	$881	$881
(b) project specific	$5,471	0
(c) Energy conservation:	$1,086	0
(d) Handicapped accessibility	$55	$259
MAJOR REDESIGN:		
Net of FIX: $2.06 BILLION		
CLPHA est. Net of ADDS:	$1,030	0
INDIAN HOUSING (not incl. homeownership)	$502	$210
LEAD-BASED PAINT	$446	$446
TOTAL OF ITEMS SHOWN ABOVE:	$18,778	$11,103
Other HUD adjustments:		
Indian homeownership FIX		$89
"Mandatory portion of 'other adds'"		$42
Turnkey 3 and Section 23		$230
Admin. Costs @ 9.8%		$1,122
Deduct pipeline funds already available but unspent as of the time of inspections		($1,509)
Deduct 73,500 high-cost or problem units:		($1,862)
TOTAL. NO MORE THAN:		$9,215
Deduct up to 95,300 units triggering a viability test.		($1,759)
TOTAL. NO LESS THAN:		$7,456

For the conventional public housing stock where no REDESIGN or lead-based paint abatement is needed, these basic needs shown in the Abt study (but not the HUD document) would be as follows:

FIX:	$7,392 per unit
ADDs (ISO 1+2 only):	$5,952 per unit
Total, for the above only:	$13,344 per unit

The Abt study strongly indicates that the items HUD has subtracted are in fact needed, and that the true need is therefore at least $18.8 billion (less funding in the pipeline). This need could be met in 8 years with an annual appropriation of $2.3 billion (assuming no inflation).

Each year, additional needs will accrue, and these, too, should be funded in order to prevent another buildup of backlog needs. HUD's study of accrual, originally part of the Abt study, has been contracted to the firm of ICF, and is due for release this spring. There are no current estimates available on the rate of accrual of new needs, but when they become available these will have to be added in.

HUD's interpretation of Abt Study. Based on its own 'policy interpretation' of the Abt study, HUD claims that the true need is only $7.5 billion. HUD deducted from the Abt results the following items:

(1) Project-specific ADDS-- $5.5 billion. These are items which are allowed, but not required, by HUD's modernization handbook. Approval is to be determined by the HUD Field Offices on a case-by-case basis, whenever these items are proposed by a PHA.

There were $5.5 billion worth of such items where the independent inspectors either "strongly agreed" or "agreed" that the item was needed. Throughout the study, both the staff of HUD's Office of Policy Development and Research, and the staff of the Office of Public Housing, repeated the claim that HUD did not think, and would never say, that such items were generally "not needed" just because they involved some discretionary judgement.

Unfortunately, however, when HUD stated its position in recent hearings before this Committee on the Department's FY 89 budget proposals, HUD took a totally new and unexpected line, namely that in the future HUD should fund only the mandatory items in the handbook, plus lead paint apatement, using federal modernization funds; and that if mandatory items were not enough to ensure viability too bad, the PHA would have to look for additional funds elsewhere.

(2) Energy conservation-- $1.1 billion. These are items which would make public housing developments more energy efficient. In the long run they would be likely to save money. HUD ruled them out.

(3) Major Redesign-- $1.0 billion. Abt looked at a sample of 75 developments with high needs where the PHAs indicated that major redesign would be desirable in order to ensure long-term project viability. The architect-engineer teams determined that over $2.0 billion would be needed (in

excess of "FIX" expenditures) to upgrade and redesign these developments for the nation as a whole. (Some of this money was included in the project specific adds, and CLPHA estimates that only $1.0 billion represents additional needs, net of ADDS.) Again, HUD's position is that only mandatory items should be repaired. Even if a development has been shown to need major redesign in order to make it viable, HUD does not want to fund such work.

(4) High cost or problem units-- $1.9 billion. HUD estimates that 73,500 units are not worth repairing due to high costs or other severe problems.

HUD has provided no explanation of the source for the 73,500 figure. We would like to request that this Committee press the Department for an explanation of exactly how HUD came up with the number 73,500. Based upon CLPHA's surveys, we think that the number of such 'high needs units' (excluding those where Major Redesign or demolition is needed) is less than half the number shown by HUD.

There is no reason to assume that all high cost developments are severely troubled and not worth repairing. The CLPHA survey found that over half of the developments with over $20,000 per unit modernization needs had vacancy rates below 5% and had no trouble passing HUD's viability test.

Also, since it is likely that many of these developments would need major redesign and were included in Abt's number for major redesign needs (which was already ruled out by HUD), HUD has probably deducted at least part of the need for these units from the Abt total twice, once under major redesign needs and then again here.

(5) Units which may trigger viability test-- $1.8 billion. On the assumption that these units might not be worth fixing, HUD has suggested that the cost of repairing 93,500 additional units could possibly be deducted from the total needed. Again, HUD's calculation suffers from several problems.

Many units which trigger a viability review are worth rehabilitating. Twenty-five percent of the units in the CLPHA survey which went to the final stage in HUD's viability review (requiring a field office inspection) are currently undergoing modernization work which HUD and the PHAs both believe will make the developments viable. Many of these units were probably included in the Abt figure for major redesign, so that the cost for their repair has been deducted from the Abt total twice.

Perhaps the greatest problem with HUD's deducting the needs of the above two groups of units -- those with high costs and those triggering a viability review -- is that no consideration has been given by HUD [illegible]

whether or not these units are needed to serve low-income households in their communities. Only some undefined standard of 'high cost' has been used to make this decision. What is 'high cost'?

If a vacant unit can be modernized at say $30,000 to provide standard housing for a low-income household, isn't this likely to be the most cost-effective way of doing the job? Yet this level of need is probably what HUD considers to be 'high cost'. Channelling funds only into low needs developments would be at the expense of worsening the housing shortage in many cities where it is already greatest.

Attachment B: CLPHA Survey of Public Housing Modernization Needs. CLPHA obtained estimates of modernization need from 41 large PHAs which manage 30% of the nation's public housing units. These estimates were based mainly on the PHAs' Comprehensive Five-Year Plans for Modernization, which were mandated by HUD in 1985 and generally completed in the summer of 1987. PHAs also provided to CLPHA estimates of any needs which were not included in their plans.

The per unit distribution of needs found in the CLPHA survey is shown in Graph 1. The median need per unit was $9,084. The mean need per unit was $12,233. Thirty one percent of the units needed less than $5,000 in modernization funds. Fifty four percent of the units needed less than $10,000. Only twenty percent of the units needed more than $19,500 per unit.

Based on this information, CLPHA estimated the nation's total public housing modernization needs by multiplying the mean (excluding New York and Chicago) by the total number of units nationwide (again, excluding New York and Chicago) and adding separate estimates for these two PHAs. The results are as follows:

All units except NYC and Chicago:	$13.5 billion
New York	$2.3 billion
Chicago (est. $18,000/unit)	$0.7 billion
Total	$16.5 billion

If many PHAs underestimated the needs of their highest need developments (e.g. out of fear of lack of funding), the CLPHA survey would underestimate total needs. For discussion purposes, a rough estimate could be made that, excluding New York City and Chicago, the developments with needs of over $20,000 per unit have an additional need of $10,000 per unit. This would add an additional $2.1 billion, increasing the total to $18.6 billion.

Attachment C: Rates of Expenditure and Obligation for CIAP Funds

In support of its annual claim that the modernization pipeline is clogged, HUD often issues two types of data on PHA expenditure and obligation rates for modernization funds: the first looks at the PHAs' expenditure of funds from each fiscal year separately; and the second looks at the aggregate amount of funds obligated (put under contract) by the PHAs regardless of fiscal year. Both sets of data show that funds have been expended and obligated at about the same rate during all CIAP years. HUD asserts that this means that the pipeline cannot handle more funds than this. This is a simplistic conclusion unsubstantiated by HUD's own figures.

Expenditure rates by separate fiscal years. CLPHA has used the most recent HUD data available (through June of 1987) to graph the PHA expenditure rates of CIAP funds for each fiscal year's appropriation separately (see graph 2). These graphs show that the proportion of funds spent by PHAs occurs over time at roughly the same rate, for modernization funding appropriated in each fiscal year, 1981 through 1985, despite variations in the amounts appropriated each year or in the amount of money already in the pipeline. To illustrate more specifically, fiscal year after fiscal year, PHAs taken together have spent approximately 70% of the modernization money appropriated for a fiscal year, within exactly four years of the beginning of the fiscal year for which that money was appropriated -- regardless of the amount appropriated.

The highest appropriation ever (FY83) was spent at the same rate (in proportional terms) as a much lower appropriation(FY84). The unusually high amount of funding in FY83 did not slow down the expenditure of the funds. Nor was the expenditure of funds slowed down by the accumulation of funds in the pipeline: the PHAs appear to have spent the FY84 and FY85 money at about the same rate as the FY81 money, even though there was a good deal of money in the pipeline in FY84 and FY85, and almost none in FY81.

(Note: it is still too early to tell if FY86 or FY87 money is being spent at the same rate)

Aggregate obligation rates.

HUD has also compiled data on the aggregate obligation of funds, regardless of the fiscal year in which they were appropriated. This data shows that the amounts obligated each year have been decreasing recently. However, CLPHA's analysis shows that these amounts have stayed the same.

proportionally, relative to the amounts in the pipeline actually available for the PHAs to spend.

Even if the PHAs did obligate less money in a recent year than in an earlier year, this is meaningless unless we know how much money the PHAs had available to them. If there was less money available, then we would naturally expect lower obligations.

In fact, the PHAs have had lower amounts available to them recently (since the large FY 83 appropriation has mostly been spent), and lower aggregate obligations are the natural result. The ratio of money obligated by the PHAs to money in the pipeline has remained constant.

Attachment C (cont.): Steps in the Process of Allocating and Spending Public Housing Modernization Funds.

Fiscal Year Begins	October 1
Notice of funding availability by HUD	February
PHAs submit applications	March
HUD reviews applications	
HUD obligates funds to individual PHAs	September 30
HUD & PHA sign a contract for the funds (or an amendment to a prior contract)	February
PHA contracts for architect and/or engineering services to do detailed designs and plans for the project	
Based upon these designs and plans, bid specifications are prepared and the project goes out to bid	
Winning bid(s) are selected, often after negotiations and modifications	
Contracts for the work are signed	
The work is carried out	
Partial payments are made as the work progresses	
The work is completed	
The final payment is made, sometimes after extensive delays while the PHA argues with contractors and tries to achieve full compliance with the contract terms.	

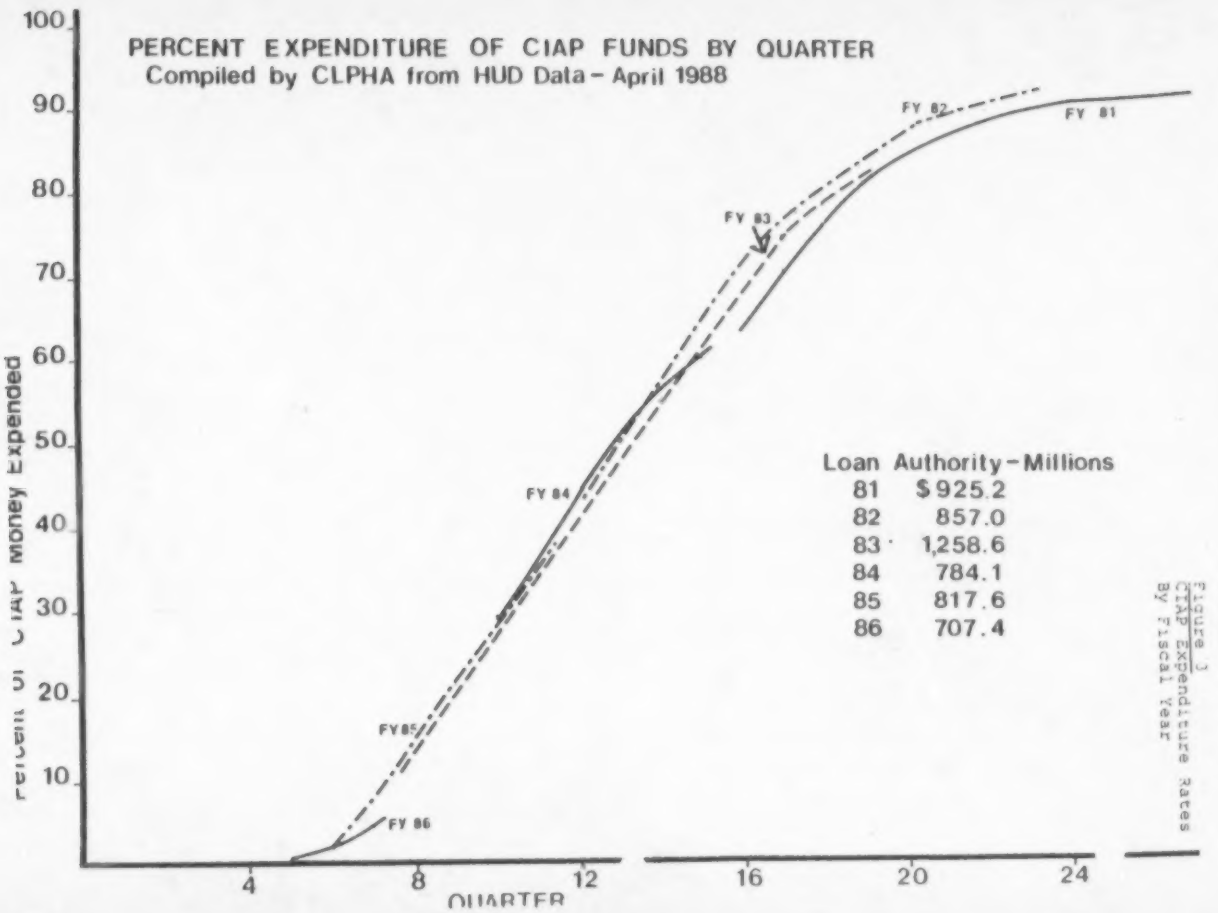
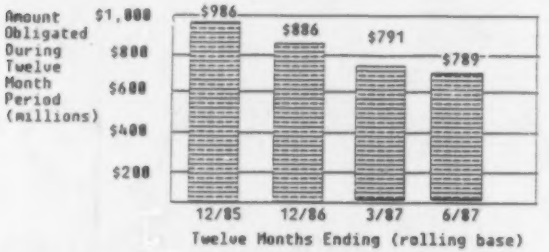


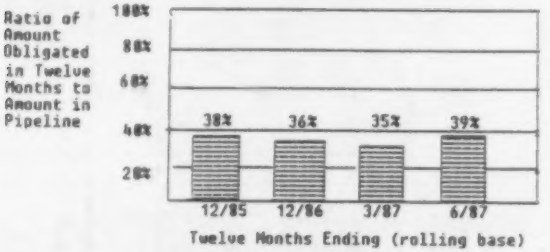
Figure 1
CIAP Expenditure Rates
By Fiscal Year

Figure 4
CIAP Aggregate
Obligation Rates

HUD is correct that the aggregate annual amount obligated in recent years has been decreasing, as shown below:



However, the total amount obligated is meaningless as far as making a judgement about PHAs' ability to spend money. The important indicator is the amount obligated relative to the amount PHAs could potentially obligate, ie. funds in the pipeline. CIAP funding levels have varied greatly, and in any given twelve month period PHAs have had different amounts available to them to obligate. The following bar graph shows that the relative amount obligated has remained constant from calendar 1985 through June 1987:



(Note: amount in pipeline is defined as total amount appropriated for all FYs as of the beginning of the 12 months, minus funds already expended at that time.)

Attachment D - Major Reconstruction Needs.

There are some seriously deteriorated public housing developments with extensive modernization needs which cannot be met through CIAP as presently structured. The modernization of these developments is extremely important because, despite their small numbers, they receive a good deal of publicity, tarnishing the image of the otherwise successful public housing program. To meet this need the major reconstruction program should be retained and expanded.

Using the results of its own modernization survey, CLPHA established three separate definitions of seriously troubled developments. The following table shows the percentage of units in the survey which fell into each of the three categories, and what that would mean for the nation as a whole if the national percentage distribution figures were the same as for the CLPHA survey results.

Definition	HIGH NEEDS, POTENTIAL VIABILITY PROBLEMS		TOTAL DEMO
	No Major Reconfiguration	Major Reconfiguration	
% of units in survey	3.5%	2.5%	2.4%
% of PHAs that reported having developments in this category	36%	36%	18%
Avg. number of units in a development in this category.	248	408	526
Avg. mod. need (per unit) for a development in this category.	$33,632	$31,093	$7,381
Number of units nationwide (est.) excluding NYC and Chicago. (Base = 1,106,428)	38,724	27,661	26,554

The average cost per unit is slightly lower for the "major reconfiguration" category than for the "no major reconfigurstion" category. This is because some of the "major reconfiguration" developments include a good deal of demolition, which is much cheaper than rehab.

ATTACHMENT G

ANALYSIS OF WAITING LISTS

	1 BR(E)	1 BR(F)	2 BR	3 BR	4 BR	5 BR	TOTALS
Low Rent Public Housing	2	96	326	197	6	7	634
Housing Assistance Programs	307	134[2]	366[2]	23[1]	2[1]	3[1]	835
Section 8 Mod Rehab.	N/A	101	117	26[3]	2[3]	N/A	246
PHA Wide Totals	309	331	809	246	10	10	1715

(1) List has been closed since April 1983
(2) List has been closed since August 1987
(3) List has been closed since January 1987

Senator GRAHAM. Thank you very much. Ms. Noel.

STATEMENT OF CAROL NOEL, EXECUTIVE DIRECTOR, FLORIDA NONPROFIT HOUSING CORP.

Ms. NOEL. I would like him to read mine. He talks louder.

I would like to take this opportunity to congratulate the members of the National Housing Task Force for releasing one of the most readable and substantive reports that I have reviewed over the years.

I wish that we could make the first 12 pages mandatory reading for everybody.

I am here to discuss with you a rural perspective. I suppose I should start by sharing my reasons why I think a rural perspective is necessary.

A RURAL VIEW

While housing deficiencies exist in both urban and rural settings, and subsidies and/or programs designed to remediate those differences are equally applicable, the actual delivery systems take very different forms.

Are there intrinsic differences between urban and rural? I think so.

Urban government has had to become responsive to the deficiencies in housing. In my experience, rural government is either repressive, or at best indifferent. It should be noted that there are exceptions to this as there are to any generality.

Urban government has the infrastructure to deliver housing programs; rural government does not.

Urban areas enjoy a broad spectrum of resources unavailable in rural areas. This may preclude participation in the HOP program.

By and large, urban minorities and poor live within incorporated areas and have supportable infrastructures for services—police, fire, et cetera.

Large numbers of rural minorities and poor live in unincorporated areas or enclaves with insufficient resources to support a service infrastructure.

Urban areas are governed by housing codes. Many of your rural areas have no existing housing codes.

Many urban poor have never and will never meet their landlord. Most rural poor know their landlord.

Urban poor have an insulation of anonimity found in numbers, coupled with the strength of numbers the rural poor do not.

In an urban area, in order to build, you either demolish and rebuild or clear, and hook up to water and sewer at the street.

In rural areas, you clear, put in the water and sewer, and put in the street.

Throughout the report, channeling funds through local government is recommended. I submit in that rural areas, this may not work, and where it does some adaptations will be necessary.

In order to maximize rural participation, you may want to consider a regional rural technical assistance and training component. Farmers Home has used this successfully with their self help program.

I would suggest the inclusion of a research and development capacity within housing legislation to enable development of further new approaches.

The committee's report carries a strong emphasis on matching resources. At the present time, Farmers Home is rewriting their 523 self help administrative regulations. A draft of those regs require that all self help mortgages be Farmers Home 502 mortgages, precluding any other forms of financing.

I strongly recommend that any program developed as a result of the committee's report carry with it the insistence that housing money be spent on housing, rather than allowing it to be diluted, as it was within the Community Development Block Grant program.

I concur with the rural section of the report in their recognition of Farmers Home as a viable rural housing delivery system.

I would, however, suggest better use of the existing Farmers Home 515 family developments. Where families within a 515 are eligible for a 502 home ownership loan, they should be counseled as to its eligibility.

Income eligibility within the 502 mortgage and 515 rental programs makes an interesting contrast. For example in Highlands County, FL., the maximum adjusted limits are for homeownership, very low income, $11,550; home ownership, low income, $18,500; rental, $24,000.

Therefore, you can have significantly higher income and live in Farmers Home rental housing.

Several years ago, we compiled some figures on four Farmers Home multiple housing developments. We were trying to determine what would happen to rents if we eliminated the morgage repayment and used the same operating and maintenance budget, including replacement reserves.

I have included those figures for your perusal. Based on these calculations, I feel that it makes imminent sense to entertain the notion of grants in the 515 program.

In addition, I have included comments from the National Rural Housing Coalition, with which I concur.

I thank you for giving me the opportunity to share my thoughts.

[The complete prepared statement of Ms. Noel follows:]

Attachment E - Section 8 Certificates and Vouchers.
The following is a summary of just a few of CLPHA's concerns about Section 8 certificates and vouchers.

First, budget authority for thousands of fifteen-year certificates is due to expire beginning in 1989. CLPHA believes that expiring certificates should be replaced one-for-one by new certificates (not vouchers), except in areas where PHAs can demonstrate that they are not needed.

Second, the existence of two separate rental assistance programs is making program administration needlessly difficult. PHAs must spend large amounts of time explaining the differences between the programs to landlords, tenants and even PHA staff. CLPHA recommends that the two programs be merged into one as soon as the final results of Abt Associates' evaluation have been completed and evaluated. In general, the Section 8 certificate program should largely be retained as it is -- one of the most successful housing programs in the nation's history -- and modifications (such as slightly greater flexibility in terms of rent levels) should be made only when proven to be advantageous by the voucher demonstration.

The preliminary indications of the Interim report on the evaluation of the voucher demonstration (by Abt Associates) are that vouchers cost more for both tenants and the government, while providing little in the way of benefits; at the same time, rent-income ratios for tenants were greatly increased on the average. Specifically, the study found that:

- 25% of voucher tenants pay more than 40% of income for rent.
- On the average Vouchers cost the government $23 more per unit per month than certificates.
- The average voucher rent is $32 more per month than the average certificate rent.
- Despite higher subsidies and rents for vouchers, the success rates for the two programs are equal.
- There are more certificate rents than voucher rents below FMRs. This suggests that the "shopper's incentive" is not inducing tenants to economize in rent. In fact, several PHAs report that only tenants who rent in place have benefitted from the "shopper's incentive," while movers, whose pre-program housing is usually worse, have not normally been able to find units below FMR.

These preliminary findings suggest that there are serious flaws in the voucher program, and that a future single program should predominantly contain most of the features of the certificate program.

ATTACHMENT F

ST. PETERSBURG HOUSING AUTHORITY
ACC #A-4028
P. O. Box 12849
St. Petersburg, FL 33733-2849
Federal ID #59-6001287
State Tax Exempt 01-00001-15-62

JORDAN PARK

FL 002-001/1A(FL2-1)
E.I.O.P. 42-12
2240 Ninth Avenue SOuth
327-7344
Census Tract 209.95

1 Bedroom	182
2 Bedrooms	154
3 Bedrooms	98
4 Bedrooms	12
Family	446

63 Buildings

2-1 39 Bldgs.	242 units (54%)
2-1A 26 Bldgs.	204 units (46%)

Day Care Center/Recreation
1201 22nd Street South
323-0745
Management & Maintenance Building
66 Buildings

CLEARVIEW PARK

FL 002-005 (FL2-5)
E.I.O.P. 82-1
3200 37th Avenue North
522-5909
Census Tract 230.95

1 Bedroom	10
2 Bedrooms	10
3 Bedrooms	2
Family	22

6 Buildings

LAUREL PARK

FL 002-002 (FL2-2)
E.I.O.P. 66-9
1655 Fifth Avenue South
823-9858
Census Tract 216.95

2 Bedrooms	168
Family	168

Buildings 16
Day Care Center
1734 Third Avenue South
821-9189
Maintenance Building
18 Buildings

JAMES PARK

FL 002-005 (FL2-5)
E.I.O.P. 82-9
1050 Third Avenue North
823-9860
Census Tract 216.95

1 Bedroom	7
2 Bedrooms	20
3 Bedrooms	27
4 Bedrooms	20
5 Bedrooms	8
Family	82

14 Buildings + Management & Maintenance Building
15 Buildings

GRAHAM PARK

FL 002-003 (FL2-3)
E.I.O.P. 66-7
305 Ninth Street South
895-7488
Census Tract 216.95

Efficiency	204
1 Bedroom	120
2 Bedrooms	12
Elderly	336

ROGALL CONGREGATE

FL 29-006-002
Contract Date 1-79
300 Tenth Street South
894-4452
Census Tract 216.95

Efficiency	90
1 Bedroom	60
Elderly	150

PREPARED STATEMENT OF CAROL NOEL, EXECUTIVE DIRECTOR,
FLORIDA NONPROFIT HOUSING, CORP.

I would like to take this opportunity to congratulate the members of the National Housing Task Force on releasing one of the most readable and substantive reports I have reviewed over the years. I wish that we could make at least the first 12 pages mandatory reading for everyone.

I am here today to discuss with you a rural perspective. I suppose I should start by sharing my reasons for thinking a rural perspective is necessary.

While housing deficiencies exist in both urban and rural settings and subsidy and/or programs designed to remediate those deficiencies are equally applicable, the actual delivery systems take very different forms.

Are there intrinsic differences between "urban" and "rural"? I think so.

Urban government has had to become responsive to the deficiencies in housing.

In my experience rural government is either repressive or, at best, indifferent. (It should be noted that there are exceptions to this, as there are to any generality.)

Urban government has the infra-structive to deliver housing programs.

Rural government does not.

Urban areas enjoy a broad spectrum of resources unavailable in rural areas. This may preclude participation in the HOP program.

By in large, urban minorities and poor live within incorporated areas and have a "supportable" infra-structure for services (police, fire, etc.).

Large numbers of rural minorities and poor live in unincorporated areas or enclaves with insufficient resources to support a service infra-structure.

Urban areas are governed by housing codes.

Many rural areas have no existing housing codes.

Many urban poor have never and will never meet their landlord.

Most rural poor know their landlord.

Urban poor have an insulation of anonymity found in numbers coupled with the strength of numbers. The rural poor do not.

In an urban area, in order to build, you either demolish and rebuild or clear and hook up to water and sewer at the street.

In rural areas you clear, put in the water and sewer and put in the street.

Throughout the Report channelling funds through local government is recommended. I submit that in rural areas this may not work, and where it does, some adaptation will be necessary.

In order to maximize rural participation you may want to consider a Regional Rural Technical Assistance and Training component. FmHA has used this approach successfully with their Self Help Program.

I would suggest the inclusion of a Research & Development capacity within housing legislation to enable development of further new approaches.

The Committee's Report carries a strong emphasis on matching resources. At the present time FmHA is rewriting their 523 Self

Help Administrative Regulations. A draft of those Reg's required that all Self Help mortgages be FmHA 502 mortgages, precluding any other forms of financing.

I strongly recommend that any program developed as a result of the Committee's Report carry with it the insistence that housing money be spent on housing, rather than allowing it to be diluted as it was within the Community Development Block Grant Program.

I concur with the Rural Section of the Report in their recognition of FmHA as a viable rural housing delivery system.

I would, however, suggest better use of the existing FmHA 515 family developments. Where families within a 515 are eligible for a 502 homeownership loan they should be counselled as to it's availability.

Income eligibility within the 502 mortgage and 515 rental programs makes an interesting contrast. For example, in Highlands County Florida, the Maximum Adjusted limits are:

	2BR 4 People	3BR 6 People	4BR 8 People
Homeownership V.L.	$11,550	$13,400	$15,250
Homeownership Low	18,500	20,800	23,150
Rental	24,000	26,300	28,650

Therefore, you can have a significantly higher income and live in FmHA 515 rental housing.

Several years ago we compiled some figures on four FmHA multiple housing developments. We were trying to determine what would happen to rents if we eliminated mortgage repayment and used the same operating and maintenance budget, including replacement reserves.

I have included those figures for your perusal. Based on these calculations I feel it makes imminent sense to entertain the notion of grants in the 515 program.

In addition, I have included comments from the National Rural Housing Coalition with which I concur.

Thank you for giving me the opportunity to share my thoughts.

Carol Noel, Executive Director

Florida Non-Profit Housing, Inc., (FNPH), located in Sebring, FL, has assisted over eighty-five rural communities and almost 10,000 individuals in eight Southeastern States, Puerto Rico, and the U.S. Virgin Islands during the past ten years. Operating primarily with grants and contracts from government agencies, FNPH has helped local communities to develop almost 1500 units of housing, including over 1,000 single family homes using self-help construction techniques. These efforts have generated over $40,000,000 in new mortgages.

May 5, 1988

PROJECT A

MORTGAGE TERMS:

Constructed 1978
40 Units
40 Year Mortgage
8¾% Interest (FmHA 515/HUD Section 8)
$847,400 Total Mortgage

CURRENT REPAYMENT STRUCTURE:

Mortgage $65,585 X 40 Years = $2,623,400.
Section 8 $139,680 X 40 Yrs.= 5,587,200.

CURRENT RENT STRUCTURE:

2 Bedroom $275 per month
3 Bedroom $318 per month
4 Bedroom $343 per month

PROPOSED RENT STRUCTURE:	Adjusted Annual Income	Adjusted Monthly Income
2 Bedroom $130 per month	$6,240	$520
3 Bedroom $150 per month	$7,200	$600
4 Bedroom $180 per month	$8,640	$720

PROJECT B

MORTGAGE TERMS:

Constructed 1979
44 Units
50 Year Mortgage
1% Interest (FmHA 515/Rent Supplement)
$1,104,000 Total Mortgage

CURRENT REPAYMENT STRUCTURE:

Mortgage $29,016 X 50 Years = $1,450,800.
Rental Ass. $82,968 X 50 Years = $4,148,400.

CURRENT RENT STRUCTURE:

1 Bedroom $140 per month
2 Bedroom $175 per month
3 Bedroom $230 per month
4 Bedroom $280 per month

PROPOSED RENT STRUCTURE:	Adjusted Annual Income	Adjusted Monthly Income
1 Bedroom $120 per month	$5,760	$480
2 Bedroom $140 per month	$6,720	$560
3 Bedroom $160 per month	$7,680	$640
4 Bedroom $180 per month	$8,640	$720

PROJECT C

MORTGAGE TERMS:

Constructed 1981
60 Units
33 Year Mortgage
1% Interest (FmHA 514/516-Rent Supplement)

$1,644,000 - Grant
666,000 - Loan(Mortgage)
$2,310,000 - Total Construction Cost

CURRENT REPAYMENT STRUCTURE:

Mortgage $25,000 X 33 Years = $ 825,000.
Rental Assistance $46,000 X 33 Years = $1,544,000.

CURRENT RENT STRUCTURE:

2 Bedroom $198 per month
3 Bedroom $215 per month
4 Bedroom $230 per month

PROPOSED RENT STRUCTURE:	Adjusted Annual Income	Adjusted Monthly Income
2 Bedroom $130 per month	$6,240	$520
3 Bedroom $155 per month	$7,440	$620
4 Bedroom $170 per month	$8,160	$680

PROJECT D

MORTGAGE TERMS:

Constructed October 1986
80 Units
33 Year Mortgage
1% Interest (FmHA 514/516-Rent Supplement)

$3,013,000 - Grant
334,800 - Loan (Mortgage)
$3,347,900 - Total Construction Cost

CURRENT REPAYMENT STRUCTURE:

Mortgage $ 12,615 X 31 Years = $ 391,065.
Rental Assistance $168,560 X 33 Years = $5,562,480.

CURRENT RENT STRUCTURE:

2 Bedroom $135 per month
3 Bedroom $155 per month
4 Bedroom $170 per month

PROPOSED RENT STRUCTURE:	Adjusted Annual Income	Adjusted Monthly Income
2 Bedroom $100 per month	$4,800	$400
3 Bedroom $130 per month	$6,240	$520
4 Bedroom $135 per month	$6,480	$540

Senator GRAHAM. Thank you very much, Carol. Miss Ann Thompson.

STATEMENT OF ANN THOMPSON, ADMINISTRATOR, CATHEDRAL FOUNDATION, CATHEDRAL RESIDENCIES, JACKSONVILLE, FL

Ms. THOMPSON. Good morning, committee members. I am happy for the opportunity to be here this morning.

I am employed as the administrator of Cathedral Foundation and Cathedral Residencies in Jacksonville, FL. The Cathedral Foundation is sponsored by St. John's Episcopal Church, was founded 25 years ago to serve the needs of low and low income elderly persons.

We gave 700 high-rise rental units that are constructed with 202 and 236 programs. We operate a 52 apartment unit that was converted from an old school by a private nonprofit corporation, and we operate 16 apartments for the physically handicapped under the 202 section 8 programs.

I am also the housing vice president for the Florida Association of Homes for the Aging, an organization of over 185 retirement housing and health care communities, representing the interests of 55,000 older Floridians. Presently, over 85 HUD assisted housing communities for the elderly are members of our association.

On behalf of the Association, I wish to thank you for convening this hearing in Florida, and for the opportunity to address our views and concerns to the members, regarding the housing programs and services for older persons.

OLDER AMERICANS

As you proceed in your review and deliberations on this recommendation set forth in the report of the National Housing Task Force titled, "A Decent Place to Live," we urge that you give particular concern to the special housing needs of older Americans.

From our review of the report, it does not appear that these concerns have been adequately addressed. As housing managers for communities for the elderly in Florida, we are keenly aware of the vital role which the public/private housing partnership has played in making safe, decent and affordable housing available for our State's older persons.

We are proud of our role as housing managers in the section 202 program, which is often regarded as the cornerstone of Federal policy for housing older Americans and which in its history has operated as one of the most successful, cost-efficient and productive public programs ever created.

This success, however, has been achieved even as nonprofit sponsors and housing managers have struggled to maintain the program's viability in the face of program changes over the years and an uncertain future.

A number of our concerns here in Florida are reflected in the report of the National Housing Task Force. We are vitally concerned about the need for supportive service for our residents as they age in place. You only have to walk through the facilities that have been built for 20 years to know that many of those residents have lived there for the entire 20 years the building has been opened.

We are serving a population of 80 to 85 year olds, climbing to 90 years of age, many of whom are frail and need further services. In a survey of our association's housing managers and a national survey of national housing managers across the country constructed by our national affiliate, the American Association of Homes for the Aging, the most serious concern of the respondents to both surveys was meeting the needs of residents as they age in place. The issue centered on how we as managers can secure the necessary supportive services which can assist an older person to remain in independent housing as long as possible.

We know this to be a beneficial policy for older persons who cherish their independence in familiar surroundings, and it's a very good public policy in regard to cost savings which can result when an older person is able to live independently rather than in a personal care facility, or in a nursing home.

Congress has recognized the importance of this policy through its development of the Congregate Housing Services Program, which our association and many other organizations serving older persons fully support.

We would urge you to maintain and expand this highly successful program, which has demonstrated its ability to prevent unnecessary institutionalization of older persons through the provision of in-home nonmedical services to residents of federally assisted housing.

There are currently 61 of these demonstration sites throughout the country, none of which are in Florida at this time. We feel this is a crying need.

Here in Florida, we have been and are attempting to meet the needs of our residents through linkages through organizations such as the area agencies on aging, which provides services to older persons through the Older Americans Act, and Florida's Community Care for the Elderly Program, which was developed and prospered under Senator Graham's leadership as Florida's Governor.

Our association is also involved in developing a task force representing the public and private sector, which can begin to explore how best to pool our existing and untapped resources in meeting the needs of our residents.

In an effort to focus needed attention on this most important issue, we request your support of the recommendations of the American Association of Homes for the Aging, AAHA, which calls for greater coordination between HUD and the Department of Health and Human Services.

ESTABLISH AN ASSISTANT SECRETARY FOR ELDERLY HOUSING

We also urge your support of AAHA's recommendation that a position of Assistant Secretary for Elderly Housing be established within HUD to administer the section 202 program, congregate housing services, and other HUD programs targeted to specialized needs of the elderly.

In it's report, the National Housing Task Force recommended that the Federal Government immediately take steps to maintain the supply of federally assisted housing which is anticipated to be

lost through the advance payments of assisted mortgages and expiration of rental subsidy contracts.

We, too, urge that Congress take steps in this issue. We ask that the task force—we report that the task force notes that in the next 5 years, over 300,000 units of assisted housing will become eligible for mortgage prepayment. We urge that this not be allowed to happen.

We are particularly concerned about the project terminations of the project based rental subsidy contracts which will expire, or begin to be terminated beginning in 1988 and will continue through 1993.

We commend the National Housing Task Force for its recognition that the cost of keeping assisted projects in the inventory will be substantial, but the cost of failing to do so will be even greater.

In regard to this issue, our association is concerned about the current discussion focusing on the use of housing vouchers to replace section 8 subsidies. Clearly, there is a real need to consider the residents of elderly housing, many of whom are frail, would be at a particular disadvantage in seeking housing in the marketplace.

Further, such housing would not provide support services and sense of community which are present in our communities today. We have many concerns, and we have many unanswered questions about the use of vouchers, and we urge your support of the task force recommendation to maintain the existing housing supply and renew the rental subsidy contracts.

Earlier in my testimony, I noted that as manager for housing for the elderly we have experienced a number of program changes in regard to the section 202 program. Many of these changes have resulted from the link to the 202 program with the section 8 program in the 1970's. The new Federal emphasis has been to target admissions to the very low income residents, essentially transforming the original purpose of the program.

Cost containment measures, which would, for example, restrict the projects to using 5 percent of their space for common areas can be counterproductive when we are seeking to develop and offer services to help residents to help them remain independent.

The requirement that a project must use at least 25 percent efficiencies has been retained, despite the lack of evidence that this requirement produces cost savings.

Our concerns along these lines are expressed in the task force report, which calls for housing programs with maximum flexibility and minimum regulation.

As managers of housing programs for the elderly, we are privileged and challenged to administer programs which have so well served the needs of our older citizens.

We ask for your continued support and assistance in maintaining and improving upon the accomplishments we have achieved. Thank you.

[The complete prepared statement of Ms. Thompson follows:]

NATIONAL RURAL HOUSING COALITION

RECOMMENDATIONS FOR RURAL HOUSING - RE: NATIONAL HOUSING TASK FORCE REPORT

1. Housing Opportunity Program

   A. Not less than 25% of non-matching funds go to non-metro

   B. Matching requirements for rural areas take into consideration the relative lack of resources in small towns and that a sliding scale be developed for non-metro programs.

   C. In order to qualify for funds states be required to provide a plan on non-metro implementation of the HOP and the manner in which HOP funds will be used with FmHA programs, particularly Section 504. The State plan should also describe steps to be taken to ensure that small communities and those with high incidence of substandard housing participate in the HOP.

   D. FmHA should be required to develop plans at the state and national level to coordinate rural housing programs with the HOP.

2. Rental Assistance

   A. The non-metro share of all federal rental assistance should be increased to at least 25%.

   Affordability is the fast growing housing problem in non-metro areas. The number of low income non-metro households with rent overburden rose by 64% (1.817 to 2,984 million) from 1975 to 1980. The metro increase was 54%. Of this number, 80% have incomes at or below 50% of the area median income. Of the 3.1 million non-metro centers, 45% or 1.4 million are cost overburden.

   B. Not less than 10,000 units of federal rental assistance be set aside for administration by FmHA for single track processing with Section 515.

   In order to provide units affordable to very low income households, and to qualify for the tax credit, federal spending on rural rental housing has been reallocated.

Section 515 loan funds have been reduced by $115 million for each of the last two fiscal years and these funds have been transferred for rural rental assistance.

There are still over 2 million rural households occupying substandard housing. In addition, there are 90,000 households occupying Sec. 515 units which pay more than 30% of their income for housing.

Prior to 1982, HUD regularly transferred 10,000 units of Section 8 to FmHA for use with Section 515. The recommendation would simply return to that policy and provide needed rental subsidy funds both for new product and existing FmHA units.

   C. In order to accommodate very poor households, rental assistance funds should be flexible in subsidy, limit-some families to paying 15% of income for housing.

3. FmHA Programs

   1. Deferred mortgage - Section 502

      A. Modify task force report to limit the deferred mortgage Section 502 program to communities of 5,500 and less population, with Secretary's discretion to permit larger communities to participate.

      The deferred mortgage Section 502 program should be limited to very small communities and isolated areas which, generally speaking, do not have the community resources -- nonprofit or private developers -- in infrastructure -- water-sewer-paved roads -- or the necessary population to support a rental housing project. Very low income households in these areas need a subsidy mechanism similar to Section 515/rental assistance. A deferred mortgage Section 502 program is essentially such a mechanism.

      B. Capital Grants for Rural Housing

      Authorize up to $120 million in grant financing for rental housing construction, acquisition and rehabilitation by nonprofit and public bodies; $100 million in grant financing for use by nonprofits to provide homeownership.

      This rental housing will be permanently dedicated to low income use; 50-75% of the units will receive rental assistance and at least 50% of the units will be retained for very low income households.

Testimony Before The U.S. Senate
Banking Committee, Subcommittee on
Housing and Urban Development

May 4, 1988
St. Petersburg, Florida

Senator Graham, and committee members, my name is Ann Thompson and I am presently the administrator of Cathedral Residencies in Jacksonville, Florida. The Cathedral Residencies, sponsored by St. John's Episcopal Church, include Cathedral Terrace, 245 residential units (HUD 236, Section 8); Cathedral Towers, 251 residential units (HUD 202, Section 8); Cathedral Townhouse, 206 residential units (HUD 202, Section 8); and Duval Apartments, 52 residential units (HUD Section 8). I am also the Housing Vice President of the Florida Association of Homes for the Aging, an organization of over 185 retirement housing and health care communities representing the interests of over 55,000 older Floridians. Presently, over 85 HUD-assisted communities for the elderly are members of our association.

On behalf of the association, I wish to thank you for convening this hearing in Florida and for the opportunity to address you on the views and concerns of our members in regard to housing programs and services for older persons.

As you proceed in your review and deliberations on the recommendations set forth in the Report of the National Housing Task Force, titled "a Decent Place to Live", we urge that you give particular concern to the special housing needs of

older Americans. From our review of the report, it does not appear that these concerns have been adequately addressed. As managers of HUD-assisted communities for the elderly in Florida, we are keenly aware of the vital role which the public/private housing partnership has played in making safe, decent and affordable housing available for our state's older persons. We are proud of our role as managers of the Section 202 program, which is often regarded as the cornerstone of federal policy for housing older Americans and which, in its history, has operated as one of the most successful, cost-effective and productive public programs ever created.

This success, however, has been achieved even as non-profit sponsors and housing managers have struggled to maintain the program's vitality in the face of many program changes over the years and an uncertain future.

A number of our concerns here in Florida are reflected in the report of the National Housing Task Force. We are vitally concerned about the need for supportive services for our residents as they "age in place." In a survey of our association's housing managers, and in a national survey of housing managers across the country conducted by our national affiliate, the American Association of Homes for the Aging, the major concern of respondents to both surveys was meeting the needs of residents who are aging in place.

The issue centers on how we, as managers, can secure the necessary supportive services which can assist an older person to remain in independent housing as long as possible. We know this is a beneficial policy for older persons who

cherish their independence and familiar surroundings, and it is very good public policy in regard to the cost-savings which can result when an older person is able to live independently rather than in a personal care facility or nursing home. Congress has recognized the importance of this policy through its development of the Congregate Housing Services Program (CHSP), which our association and many other organizations serving older persons fully support. We would urge you to maintain and expand this highly successful program which has demonstrated its ability to prevent unnecessary institutionalization of older persons through the provision of non-medical, in-home services to residents of federally-assisted housing. Here in Florida, we have been and are attempting to meet the needs of our residents through linkages with organizations such as the area agencies on aging which provide services to older persons through Florida's Community Care for the Elderly Act, a program which developed and prospered under Senator Graham's leadership as Florida's Governor. Our association is also involved in developing a task force representing the public and private sectors which can begin to explore how best to pool our existing and untapped resources in meeting the needs of our residents. In an effort to focus needed attention on this most important issue, we request your support of the recommendation of the American Association of Homes for the Aging (AAHA) which calls for greater coordination between HUD and the Department of Health and Human Services. We also urge your support of AAHA's recommendation that a position of Assistant Secretary for Elderly Housing be established within HUD to administer the Section 202, Congregate Housing Services and other HUD programs targeted to the specialized needs of the elderly.

In its report, the National Housing Task Force recommended that the federal government immediately take steps to maintain the supply of federally-assisted housing which is anticipated to be lost through the advance payments of assisted mortgages and expiration of rental subsidy contracts. We, too, urge that Congress take steps to address this issue. As the Task Force report notes, within the next five years, 301, 461 HUD-assisted units will become eligible for mortgage prepayment; and 55 have already been terminated. We are particularly concerned about the projected terminations of resident and project-based rental subsidy contracts which will expire or be subject to termination beginning in 1988 and continuing through 1993. We commend the National Housing Task Force for its recognition that "the cost of keeping assisted projects in the inventory will be substantial; the cost of failing to do so would be greater."

In regard to this issue, our association is concerned about the current discussion focusing on the use of housing vouchers to replace Section 8 subsidies. Clearly, there is a real need to consider that residents of elderly housing, many of whom are frail, would be at a particular disadvantage in seeking housing in the marketplace. Further, such housing would not provide the supportive services and sense of community which are present in our facilities today. We have many concerns, and many unanswered questions about the use of vouchers and urge your support of the Task Force recommendation to maintain the existing housing supply and renew the rental subsidy contracts.

Earlier in my testimony, I noted that, as managers of housing for the elderly, we have experienced a number of program changes in regard to the Section 202

program. Many of these changes have resulted from the linkage of the 202 program with Section 8 in the 1970's. The new federal emphasis has been to target admissions to very low-income residents essentially transforming the original program. Cost containment measures which, for example, restrict projects to using 5 percent of their space for common areas can be counter-productive when we are seeking to develop and offer services to help residents remain independent. The requirement that projects include at least 25 percent efficiency units has been retained despite the lack of evidence that this requirement produces cost savings. Our concerns along these lines are expressed in the Task Force report which calls for housing programs with "maximum flexibility and minimum regulation."

As managers of housing programs for the elderly, we are privileged and challenged to administer programs which have so well served the needs of our older citizens. We ask for your continued support and assistance in maintaining and improving upon the accomplishments we have achieved.

FLORIDA ASSOCIATION OF HOMES FOR THE AGING

"A Summary of Priority Issues of Concern to Managers of HUD-Assisted Housing for the Elderly"

In November 1987, FAHA distributed survey questionnaires to 72 HUD communities serving older persons. The managers of these communities were asked to identify their major concerns and problems in serving older persons. From a response rate of 63 percent, the survey revealed the following highlights:

Resident Profile

- Elderly persons living in HUD-assisted communities are living on low to very low fixed incomes; 87 percent of respondents indicated their residents receive housing subsidies (Section 8 certificates).
- Residents are an "at risk" population who are "aging in place". The average age of the residents is 77. On average, 80 percent of the residents live alone.

Facility Profile

- HUD communities for the elderly are facing increased problems in maintaining good and safe repair; 40 percent of the communities were built 10 to 20 years ago; 27 percent were built 5 to 10 years ago; and 11 percent were built more than 20 years ago.

Support Services

By working with local agencies, HUD communities for the elderly provide a wide range of supportive services to their residents helping them to remain in independent living for as long as possible. The top 5 services offered include the following:

Service	No. of Facilities Offering Service
Transportation	30
Educational Programs	22
Meals	21
Social Services	20
Activities	14

- 91 percent of the respondents are actively involved with community agencies in providing support services.
- 76 percent work with local area agencies on aging.

Major Issues/Concerns of HUD Managers

The top three concerns of FAHA member HUD communities are listed below:

Issue	Percent of Facilities Citing this Item as a Major Concern
Meeting the needs of residents aging in place	47 percent
Repair or renovation of buildings	31 percent
Meeting the needs of disabled residents	24 percent

- In addition, 49 percent of the respondents indicated they had experienced **difficulty in discharging residents requiring increased support services.** The reasons were listed as follows:
  - **Lack of family support**
  - **Lack of alternate living environments**
  - **Overburdened social service agencies**

Senator GRAHAM. Thank you. Mr. Roger Braun.

STATEMENT OF ROGER BRAUN, PRESIDENT OF FAHRO

Mr. BRAUN. Thank you, Senator, and distinguished panel. We commend the inclusion of the practitioners in the development of a new housing initiative and we wish to extend the professional experience and support of our State organization to this end.

The efforts of the task force and your committee are to be commended for bringing housing as a priority to the national agenda.

The Florida public and assisted housing perspective is as follows:

We have 250,000 low income residents serviced in 90,000 public and assisted housing units representing through ADPHA in 105 cities and 67 counties.

Previously noted, our modernization needs are approximately $144 million for public housing units, which total 45,700 units. Of those units, 16,000 are zero to 15 years old, 17,500 are 16 to 30 years old, and 12,200 of them are 30 or more years older.

We now have a housing item at the State of $30 million; however, to date we did not receive support from the Department of Community Affairs and the Governer's office in seeking the option for a local surtax for the counties, and at this point does not look good in Tallahassee for passage this year.

Public housing in the State should not be allowed to become the isolate social economic and racial ghettos of the 1990's in our communities. The residents of public housing will remain in these communities, either as a positive or negative factor.

The increase in inability or effectiveness of communities to deal with the increasing economics and usage of drugs find the PHA's overburdened and understaffed to deal with this continuing social and economic problem.

The general counsel of HUD has officially told PHA's, security is the responsibility of the local community, and funding at the HUD Federal level through the budgetary process is not contemplated or endorsed. This was at the FAHRO annual conference, New Orleans, 1987.

FEDERAL IMMIGRATION POLICIES

Federal immigration policies, or the lack thereof, significantly affect southern Florida and the PHA's in this area. There are no residency or citizenship requirements. Poor economics continue to make it a growth State, yet an increased demand for property and existing homes or rental units, based on many local restrictive growth ordinances, continue to increase the polarization of the population into rich-poor, haves and have-nots, especially in counties like Palm Beach, Monroe, and our agricultural counties.

The Federal supports social systems are not within the percentage other States of equal population and growth have.

New housing initiatives should not be primarily focused on the traditional target areas, which are usually the concentrated minority areas, but should be diversified in location with a concentration of minorities participating in such housing initiatives.

Dedicated sources of revenues must be targeted for the upkeep of public housing in coordination with local, State, and Federal gov-

ernments. The alternative, of putting public housing on the ad veloram tax roll, bulldozing it, or selling it in the future, is unacceptable.

The managers of public housing have remained apolitical, and have met the needs of the community in housing the very lower income residents represented by a high portion of minorities for a great number of years, in some cases 50 years in the State of Florida. Now the silent majority of low income minorities cannot remain isolated or have the support system removed about a political and social statement.

Most PHA's are well managed. Some may not be, but all PHA's, unless they have significant section 8 admin reserved private management contracts will be on the downslide to become financially troubled or bankrupt in the next 5 to 8 years.

Present performance funding system, level of Federal funding, present modernization program, and present Federal operating restrictions through utility allowances, et cetera, are not in keeping with the long term economic and social survival of public housing.

MODERNIZATION

Funds that are vitally essential to the health and well being of PHA's should not be a stand alone program. Such a program should be incorporated with a financed management plan to maintain such modernization. No bank would loan a developer millions of dollars without a financial and management pro forma for the life the loan.

Modernization should continue in the short-term under its present program guidelines, but it should become integrated into the total community and national commitment to public housing and desegregation.

In the midterm and long term commitment to public housing, a more critical economic social review must be made. Many of our older PHA projects remain, essentially, concentrations of very low and low income blacks within our community.

The modernization of many highly concentrated units of various life are extreme basic design projects of the 1940's and 1950's, does not address the social, economic, and racial future of these units.

Do not divorce public housing from the new proposed housing initiatives, but tie it to such initiatives in order to make the existing public housing more viable.

The National Housing Task Force report does not address the status of these modernized units, how they would be 8 to 10 years from now.

Put requirements on the proposed Housing Oppportunity Program to realistically assist the desegregation of public housing, by requiring a percentage of low income minorities to be part of the new housing units, and that they be from existing public housing units if communities have a highly concentrated minority project, and whose reduction of units could create some more open space, and a more manageable project.

Finally, there continues to be a falsehood that the private sector can better manage and more economically manage than the public sector, especially with PHA's. Examples of 202 programs, nonprofit

corps, and Federal Low Income Housing Tax Credit Program are given. An example, public housing must charge only 30 percent to each individual resident after the utility allowance. There is no set minimum rent.

In fact, many negative rents are appearing where the PHA actually present checks to residents for living there.

Under the Private Developers Federal Low Income Tax Credit, the apartments were set at the average 60 percent median income for that area, no matter what the qualified low income applicant makes, they pay the established rents.

Example, in Key West, public housing rents average $150. A developer basic rent for low income residents under the tax credit is $400 for one bedroom, $500 for a two bedroom.

The private owner participating in the section 8 programs and voucher programs has the same financial benefits and advantages. They receive an average of $300 in housing assistance payment programs, and have a contract rent for $450 for a one bedroom, and up to $600 for a two bedroom.

The private sector, through Federal subsidized programs, are proportionately guaranteed compensation well beyond the average PHA's, and surely do not issue negative rent checks to residents.

Finally, the professionalism demonstrated by most PHA's is equal to and above that found in professions, especially within property management.

We ask you to relieve us of the layering of Federal regulations from the U.S. Department of HUD, we ask you to, somehow congressional intent of law—and a quick example is pet ownership.

We had a proposed rule brought out in December 28, 1984, final issuing of the rule in February 6, 1987 consisting of 39 pages, while the rest of us were sweating out how we were going to meet payroll.

If the PHA had the same freedoms and the same restrictions of the private sector, it could and would function with cost effectiveness and efficiency while meeting social needs.

We look forward to working with the committee and further advancing this new initiative. Thank you very kindly.

[The complete prepared statement of Mr. Braun follows:]

FAHRO

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PREPARED FOR

Senate Subcommittee on Housing and Urban Affairs
of the Senate Banking Committee

Public Hearing, May 4, 1988, St. Petersburg, Fl.

PRESENTED BY

Roger Braun, President of FAHRO
Deputy Director, Key West Housing Authority
Deputy Director, Monroe County Housing Authority
Director, Community Development Office, City of
Key West, Florida
Member, State of Florida's Small Cities CDBG
Advisory Council

The following remarks are a brief synposis of various ideas and commentary on housing concerns and needs in the growth State of Florida based on an initial review of The Report of the National Housing Task Force. My comments are primarily directed at existing public and assisted housing programs in conjunction with community development to improve the standard of living for low-to-moderate income families. At present such programs serve over 250,000 low income Florida residents in 90,000 public/assisted housing units along with community development programs in 105 cities and 67 counties within Florida.

Let me preface my professional remarks (which are solely mine) by stating all concerned parties in the development of a comprehensive housing program whether at the local, state or federal level need to step down the ladder of high political rhetoric and cease the constant high profile use of "private vs. public", "free enterprise system vs. socialistic programs", "market prices vs. subsidized prices", low income public housing vs. federally assisted housing. All programs have a mixture of the same ingredients and should not be isolated from each other BUT should be supportive in their program design.

General Comments:

Homeless:

1. The homeless population will continue to grow disproportionately in Florida due to the state's growth, climate, and federal immigration policies.
2. The sub-groups and sub-cultures within the homeless population are disproportionate to the total population of homeless compared to other groups needing housing.

3. The rental costs (as a trend) are increasing faster in the State of Florida due to the state's growth and limited rental units. This will pressure the homeless population.
4. The lack of significant attention to the existing public housing units in Florida (45,700) presents a REAL potential for an increased homeless population and or overcrowding in sub-standard units. After leaving public housing involuntarily through evictions (the social, educational and economic level) of these very-low and low income residents means homeless or squatter living.

Public Housing Authority Operations:

1. Most PHA's are well managed, some are not. But ALL PHA's, unless they have significant Section 8 Administrative Reserves or private management contracts will be on the downslide to become financially troubled or bankrupt PHA's in the next 5-8 years. The present Performance Funding System, level of federal funding, present modernization program (CIAP) and present federal operating restrictions/utility allowances are not in keeping with long term economic/social survival of public housing.

2. Performance Funding System many times penalizes (or at least does not reward) the well managed PHA's. A system of funding based on the age of the unit and its location in pre-determined Economic Expense Areas should be used. Each PHA should receive funding on such an objective basis to have the right to use or abuse such funds. Those that fail should become the responsibility of HUD and the local community as to whether there should be a continued operation.
3. Modernization (CIAP) funding while vitally essential to the health and well-being of PHA's SHOULD NOT BE a stand-alone program. Such a program should be incorporated with a (financed) management plan to maintain such modernization. No bank would loan a developer millions of dollars without a financial and management pro-forma for the life of the loan. Modernization must continue in the "short term" under its present program guidelines BUT it SHOULD become integrated into a total community and national commitment to public housing and desegregation. In the mid-term and long-term commitment

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to public housing modernization a more CRITICAL economic and social review must be made. Many of our older PHA projects remain essentially concentrations of very-low and low income blacks within our communities. The modernization of many highly concentrated units of barrack-like or extreme basic design projects of the 40's and 50's does not address the social/economic and racial future of these units.

DO NOT DIVORCE public housing from the NEW proposed housing initiatives but tie it to such initiatives in order to make the existing public housing more viable. The National Housing Task Force Report does not address what the status of these modernized units will be in 8-10 yrs. PUT REQUIREMENTS on the Housing Opportunity Program to realistically assist the desegregation of public housing by requiring a percentage of low-income minorities be part of the new housing units and that they be from existing public housing units if communities have a highly concentrated minority project (whose reduction of units-could create some more open space and more manageable projects).

4. PHA Management. There continues to be this FALSEHOOD that the private sector can better manage and more economically manage then the public sector, especially PHA's. Examples are given of 202 programs, non-profit corporation projects and projects under the Federal Low Income Housing Tax Credit Program. Most Congressmen and staff are not familiar with the overly restrictive regulations placed on public housing that are not part of other federal housing programs. Example in the ability to establish rents (project income) public housing must charge only 30% of EACH individual resident's income after utility allowance. There is NO SET minimum rent. In fact many negative rents are appearing where the PHA actually presents a check to resident for living there!!! Under the private developer's Federal Low Income Tax Credit Program the apartment rents are set at the average 60% median income for that area (no matter what the qualified low-income applicant makes, they pay the established rent.)

In the community of Key West that means the developer's basic rent for low-income residents is $400 for 1-bedroom, $500 for 2-bedroom and $585 for 3-bedroom, while the average public housing rent is $150 to $165 for a unit$. The private owner participating

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in the Section 8 Certificate or Voucher program also financially benefits with a minimum federal Housing Assistance Payment (HAP) averaging $300 with an average contract rent of $450 one bedroom, $600 two bedroom, and $700-750 three bedroom. The private sector through federally subsidized programs are proportionately guaranteed compensation well beyond the average PHA (and surely do not issue negative rent checks to residents$).

(See Attached Affordable Housing Study Group, Appendix for Federally Assisted Rental Programs for Key West and Monroe County, Florida)

Public Housing Administration:

1. The professionalism demonstrated by most PHA's is equal to and above that found in most professions and especially within property management.

2. The continual "layering" of federal regulations through the U.S. Dept. of Housing and Urban Development continues to create a bureaucratic paralysis in implementing sound business decisions on which the financial solvency of public housing is becoming dependent.

3. The priority of Congressional intent somehow loses its meaning as graphically illustrated on the proposed Pet Ownership in Assisted Rental Housing for the Elderly & Handicap rule issued in Dec. 28, 1984 and the issuance of a Final Rule (Feb. 6, 1987) consisting of 39 pages!!!

4. If PHA administration had the same freedoms and same restrictions as the private market it could and would function with cost effective efficiency while meeting the social needs of its residents.

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5. Allow increased security deposits on a pro-rated basis to cover the costs of vacancy damages and repairs from $25 per month rents.

6. Allow eviction processing to follow state statues.

Affordable Housing Initiatives:

1. Industry-Tax Credits/Advantages. Industry should be granted directly tax incentives for affordable housing when they expand and/or relocate. Such incentives should require the "actual" construction of affordable housing or where there is sufficient housing available financial participation in a "local housing voucher program" sponsored by the city or county. (At present, the Key West Housing Authority and Monroe County Housing Authority are working on such a local housing voucher program to meet the needs of service and commercial industries/ businesses of our community). Direct tax credit to the corporation is far favorable to tax credit syndications and some bond issues where SOFT COSTS are significant and not required.

2. Local, state and federal affordable housing programs should use the same thresholds and programmic guidelines so they can be interfaced to make "actual" projects come on-line. (The federal low income tax program is NOT effective at present without a substantial source of subsidy in some form. It is not working on a nationwide basis.)

3. The development of affordable housing and modernization/development of public housing MUST include MORE THAN physical buildings. It should include a comprehensive approach to the NEEDS and REALITIES of the very low and low income residents. These needs and realities require

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on-site or "nearby" day care centers, basic skill training facilities, cooperative business ventures, and recreational facilities. The community development aspects of a city or county MUST be an integral part of the housing program.

4. Federal affordable housing initiatives such as the Section8 Rental Rehabilitation Program should be designed to be singular effective delivery system rather than the dual system of HUD's Community Development and Housing Divisions. The intent of the program met a need in our communities but the coordination of the delivery system still is not in total sync.

The Florida Public/Assisted Housing Perspective:

1. Ourmodernization needs total nearly $150 million for public housing units of 45,700. The age of those units are:

Units	0 to 15 yrs. old:	16,000
Units	16 to 30 yrs. old:	17,500
Units	30 & over yrs old:	12,200

2. There is movement at the local level through the required Housing Element of the Counties'Comprehensive Land Use Plans and movement at the state level with "housing" being a budget item of nearly $30 million.

3. Public housing in the State should NOT be allowed to become the social/economic ghettos of the 90's within our communities. The residents of public housing will remain in these communities as either a positive or negative factor.

4. The increasing inability or effectiveness of the communities to deal with the ever increasing economics and usuage of drugs finds the

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PHA's becoming overburdened and understaffed to deal with this continuing social and economic problem. The General Counsel of HUD has officially told the PHA's, security is a responsibility of the local communities and funding at the HUD federal level through the budgetary process is not contemplated or endorsed (NAHRO Annual Conference New Orleans, 1987).

5. The federal immigration policies or lack thereof, significantly affect southern Florida and the PHA's in this area. There are no residency or citizenship requirements.

6. Florida economics continue to make it a growth state, yet the the increased demand for property and existing homes or rental units based many local restrictive growth ordinances continue to INCREASE the polarizing of the population into the rich/poor and haves/have nots, especially in counties like Palm Beach, Monroe and our agricultural counties.

7. The social support systems are not within the precentages of other states of equal population and growth.

8. New housing initiatives should not be "primarily" focused on the traditional "target areas" which are usually the concentrated minority areas BUT should be diversified in location with a concentration of minorities participating in such housing initiatives. (A redefination of minorities should be established. A fourth generation American-born Latin with a Spanish surname that doesn't even speak Spanish should not be counted as a minority for LMI grant or other considerations.)

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9. Out of the 45,700 public housing units in the State of Florida administered through 80 PHAs, there are fewer than eight specific projects within the state that are or potentially social/economic/minority ghetto-like complexes where drugs, crime and economic/maintenance conditions have reached quasi-crisis portion requiring immediate extraordinary measures by HUD and the communities. The rest have their set of problems and financial difficulties but are truly assets to the local community, state and nation. In many instances the 40-45 yr. old public housing is in much better condition than the privately owned properties surrounding it. (Our 45 yr. old public housing in Key West is an example of that where effective management and modernization have kept the housing stock viable without any federal operating subsidy.)

10. Dedicated sources of revenue must be targeted for the upkeep of public housing in coordination with local, state and federal governments. The alternative of putting public housing on the ad valorum tax roll or bulldozing it or selling it in the future is unacceptable.

11. The managers of public housing have remained apolitical and met the needs of the community in housing the very-low income residents represented by a high portion of minorities for a great number of years (in some cases 50 yrs.). Now the silent majority of low income minorities cannot remain isolated or have the support system removed without making a political and social statement to

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to the local community, state and nation as a whole.

12. Provide the managers of public housing the tools to continue for another 50 years to serve our communities proudly in providing decent, safe, and sanitary housing to our low income residents.

a) Establish HUD's primary functions as the overseers of fraud & Mismanagement, audit functions, and fair housing opportunities.

b) Provide an equitable distribution of federal funds to the PHAs that will allow the good managers to manage effectively and not be penalized for being financially effective

c) Allow the establishment of a Modernization Reserve fund at each PHA.

d) Reduce the federal regulations on PHAs.

e) Establish minimum rent.

SUMMARY:

We recommend the inclusion of more practioners in the development of a NEW HOUSING INITIATIVE and extend the professional experience and support of our state organization to this end.

The efforts of the Task Force and this Subcommittee are to be commended for bringing back HOUSING as a priority on the National Agenda.

Senator GRAHAM. Roger, I would be interested, you might supplement your remarks with some specific areas where you believe excessive regulations have restricted the ability of public housing authorities to carry out their responsibilities, and placed them in a noncompetitive position relative to other providers of low and moderate income housing.

I make that same request to the others on the panel who would in a position to comment.

Mr. BRAUN. Thank you, Senator. Mr. White, I am sure, will comment also.

EXCESSIVE REGULATIONS HAMPER PHA'S

The fact that there is no minimum rent, the fact that each rent is determined by 30 percent of the individual application can mean we can have zero to a negative rent on up. There is no set establishment, therefore there cannot be any proper budgeting and good business sense applied to that.

Presently, the performance funding, many times penalizes, if not at least neutralizes good management of authorities.

There should be a more equitable means of distributing the funds based on the age of the unit and the number of the units that you have in your community, and let the good managers manage, and let the bad managers fall by the wayside and become the responsibility of HUD and the local government, what they want to do with that.

But we are crippling public housing. And examples, other examples of that are, now the 25-percent limitation on income, that we have to house the very low income, we heard Mark Hendrickson, said let's have mixed people, low income, medium and high. Well, right now you are forcing public housing to become the landlords of strictly the very low income, and with that comes the, all the social ills.

I would make one final comment though, to Mr. Fine, who is a good friend, deserving working poor live in public housing. The majority of people in public housing are working. They are not recipients wholly and solely of AFDC.

So they just cannot get out of the social economic ghetto that has been created and the high cost of living in the State of Florida, which is going to continue.

And finally, as we put these Federal programs in place, we meet the political realities in our various communities, many of which are politically conservative and do not want affordable housing in any way, shape, or manner, whether it be through State initiatives or Federal initiatives.

And therefore, when—it is going to be obvious that we can build units in the Panhandle at $30 a square foot and where we have in open space, and in Palm Beach County and Monroe County, it will be $55, $60 a square foot, with extremely restrictive growth potential.

So those are the realities that we meet in trying to put these programs in effect. Ed?

Mr. WHITE. I am not able to talk very well. I apologize. I share Roger's views on overregulation, which I believe was the issue that

he raised. He cited the pet policy as one example, which is not just regulatory, of course it's statutory, and although it was well intended, it's a profound mistake.

I believe that the origin of the legislation was, I believe, that access to pets tended to make elderly live longer and have a better quality of life while they are alive; and while it's true, there are some issues as to whether or not a high-rise public housing building is an appropriate place for pets for elderly or anyone else.

We took a survey in our elderly high-rise here in St. Petersburg, and found that 96 percent of the people were opposed to having pets, yet Washington is telling us that we have to have pets.

Another problem with national regulation, or in this case a statutory provision like this, is that it does not have intelligent applicability uniformly across the country.

For example, the Senator responsible for that comes from the State of Wisconsin, and perhaps climatic conditions there are very different than here in Florida, where we have a flea problem, for example.

To the extent that we have admitted pets, it has created some very serious problems in terms of extermination.

And it's, I think it's sort of the tip of the iceberg, but when Washington is telling us how to manage insofar as whether we should have pets or not, it doesn't make sense.

Mr. BRAUN. Washington will also not allow us to have a maintenance reserve fund that we can continue, where we do have some funds to build, so that when we have small problems with roofs that are $10, $15, $30,000, we can handle it, because they don't qualify to practically for a C-App application. But right now they tell us we have to take that out of our reserve and we have no ability to create a maintenance reserve fund.

Mr. WHITE. I will give you one other example briefly, of overregulation. This dates back to 1971, and has to do with the so-called model equal grievance procedure, which was well intended in that it was designed to provide due process in public housing.

In many States in the Nation, housing authorities and other property owners, for that matter, are able to evict people without due process because there is no due process requirements in the summary process statutes of those States, and in order to protect people, they came up with national regulations.

However, in fact, there are many States, including Florida, which have adequate due process provisions, and now we are required to have a double due process provision; in that for many evictions we have to follow HUD regulations and give a 30-day pretermination notice to the tenant telling them what they already know, and giving them an opportunity for a hearing before an impartial panel, before we can commence the summary process proceeding in the State courts.

This even applies to nonpayment of rent, where there is a 14-day pretermination notice requirement.

Now, HUD gives us these regulations, mandates that we follow them, then they come in and do a review and say, gee your tenant accounts receivables, or back rent is up, you are not managing well.

Well, if you have to give out 14 day pretermination notices and hearings for everyone who owes rent, obviously you are not going to collect it.

COST OF TURNOVERS

Mr. BRAUN. And quickly, one of the biggest cost is the turnover of apartments, getting the vacancy ready. So when you have a $25 rent and they don't even pay that, and you have a 3 month period where you finally get to evict them on a nonpayment basis, and they trash the apartment, we have to go in there and spend an average, anywhere from $500 to $1,000 on an apartment, that's a lot of $25 rents.

And many authorities don't receive subsidies, and those that do receive subsidies, don't receive it in the equitable proportion necessary for their operation.

So we would ask, put us on the same basis as private enterprise, with the same restrictions, and put HUD back into the job of instituting and managing fair housing ordinances, fraud and mismanagement, and auditing purposes, and let us be the managers.

Senator GRAHAM. There are other pieces of legislation that are being considered in the Congress which would seem to interface with the kind of concerns that you have expressed in housing, specifically. One of those is going to be a long-term health care for the elderly program, which will attempt to recognize some of the concepts such as aging in place and phases of aging, and use of community resources to the maximum extent possible.

Another is the welfare reform legislation which is going to take a fresh look at how the AFDC and other, food stamp and other programs are functioning.

What should the Congress be looking at in those programs as it relates to your specific interests, which is central to both of those, and that is the housing part of long term care for the aging population and reform for a population which has been in a dependency status.

Mr. WHITE. One of the speakers on the previous panel had indicated, I think it was Mr. Fine, from Miami as a matter of fact, that we don't really have a housing problem in Florida so much as we have an income problem.

I couldn't agree more with that, and I think that the most important thing that Congress could do would be to relieve the public housing and other federally assisted subsidy programs from being an income transfer mechanism.

Roger, for example, indicated how we often issue negative rent checks to people. We're fulfilling the welfare role. Let the income transfer mechanism, whether we call the welfare guaranteed incomes or guaranteed jobs, or whatever, serve its purpose and let us charge rent on the same basis as other people do. This would eliminate a lot of the overregulation which takes place, allow us to have incentives for people that make sense in public housing.

It's hard to have someone take pride in and feel responsible for a dwelling unit if they don't pay any rent for it, in fact they get a check from us. But to put the onus of the income problem on HEW, or I guess it's HHS now, as opposed to HUD.

We are really using HUD as an income transfer mechanism, and as a result a lot of the money goes into income transfer, and not into true housing.

Mr. BRAUN. The other thing, Senator, in Florida especially, it needs, when the statistics comes out, the task force will emphasize it more, the population within public housing is becoming more and more elderly and without family, and it becomes, when it gets, the person is no longer self sufficient and we have to go for eviction for their own safety and there are no congregate living facilities available, and they are not qualified for nursing home, or those facilities are limited, we receive extreme political pressure to maintain those people and keep them in those units as long as is feasibly possible.

We have been doing an excellent job as the caretakers in that, but that is starting to choke us, and a congregate living type of facility needs to be a transitionary aspect to meet our population needs, not only in public housing but as a State and Nation as a whole.

Mr. WELCH. Senator, I guess what I am hearing here is, from all of the panelists that have been here this morning, the four that preceded us, is that we do have a problem, and that problem is housing; whether it be for the elderly, the homeless, the lower income, or what have you, there is a problem with housing.

We have to find that problem and we have that data in which to back up that there is that problem. Now how we get there, if the Congress can determine that there is a problem, then we want to solve the problem, and it's my belief that Congress and the United States, when there is a problem, can solve that problem, and I think we are to that point now where the problem needs to be solved, and we need to address those vehicles where we are going to tie in the State, the Federal, and local government, private and nonprivate organizations, to address that problem.

Until we do that, I think we are still going to be faced with the same dilemma that we are facing now, and that's the homeless, those individuals that do not have decent houses.

And the spinoff effects of that, as I said previously, the spinoff effects, is that we're going to continue to have school dropouts in Florida, rates number 50 in high school dropouts, we are going to have the drug users, we are going to have those kinds of things that are going to be confronting us.

I hope we address, we talk about public housing, public housing is fine. But when you start putting 1,000, 2,000, 3,000 individuals into a block or two blocks, then you are creating problems. And I hope that we look at that kind of system where we have to build and segregate those housings in certain patterns. I think they should be spread out.

Ms. NOEL. It sounds like a piddley, picky little thing, but in my experience in new construction, I wish, and I know the Federal Government is getting away from mandating any forms of minimum property standards.

However, if, with every Federal dollar that constructed a unit whether it's for a family with a bunch of kids or whether it's for older people, the one area that we find, particularly in central Florida, we've got people who get older, retire, fall down break hips, is the bathroom. If we could mandate 3-0 doorways in every bathroom, you can't retrofit bathroom doors.

Think about your bathroom door at home. Where is the light switch? If you have to widen it, almost all the time you have to do an awful lot of work. You don't always have to have all the huge turn around space in handicapped that is required by the turn around standard.

A 3-0 door is not that expensive at the time of construction, and it's darn near impossible to retrofit.

And if you can't get in the bathroom, forget it. You're going to the nursing home. And if your wife can't carry you into the bathroom, and she is not very often able to, you are still going to the nursing home.

And it's such a simplistic approach, that it makes sense, and yet nobody wants to deal with it. We try to get that individually when we deal with the self helps. I usually talk to whoever is drawing the blueprints, we say, think about putting 3-0 doors in there. We have them in front doors, we have them in back doors, and any wheelchair can get through. If they can get access they can find a way to back it up or do whatever.

And at some point in the lifetime of that dwelling, I maintain, chances of it being used as either temporary or permanent housing for somebody with a handicap are very, very high.

Mr. BRAUN. To further amplify that, in all its years of construction management, HUD, with all their professionalism, still hasn't come out with housing quality standards that are more definitive, definitive in terms of the least bedroom size.

And you see this great argument going on in section 8 vouchers and certificates, does that qualify as a third bedroom.

Let's have some minimum standards, quality standards, that are quantifiable in the housing quality standards for section 8 vouchers and certificates, much more than what we presently have, to meet those type of needs also.

Ms. THOMPSON. Senator, I would like to see that we would, in looking at a housing policy, know that it's not just a bricks and mortar kind of policy, but a human service aspect that I think is addressed by all of us in meeting the needs of people we serve, and we need to look at ways to make governmental regulations not so restrictive that you can't work within one program's confines because of the next program's restrictions.

Senator GRAHAM. Would that be the example that we've used, citing the 5-percent limit on common areas?

Ms. THOMPSON. That would be one. For example, if we were to try to apply for funds now to build a board and care home as a nonprofit agency through HUD, we are not eligible because we are not a proprietary organization, but yet we have got 25 years of management experience and capability that we feel would serve us well in this regard.

Senator GRAHAM. I would like to send to you and to others, if you would recommend, a copy of the long term care for the elderly legislation, and the welfare reform legislation, and ask for your comments from the perspective of housing, what should we be thinking about in those two areas that would recognize the central role which housing is going to play in achieving either one of those two sets of social policies.

Ms. THOMPSON. We would be happy to do that for you. [See p. 148.]

Senator GRAHAM. Several have mentioned, and Mr. Welch just commented on it again, the specific issue of cocaine, crack, drug trafficking within areas of public housing responsibility.

On a short-term, let's say, within the next 12 months, and on a midterm, the next 5 years, and a longer term basis thereafter, what would be your recommendations as to what should be done as it relates to that issue, and what can the Federal Government in this housing proposal do for each.

DRUG PROBLEMS

Mr. WHITE. Let me say that the crack cocaine epidemic is not confined to public housing. Obviously it often finds it way there because the populations that live in some of the older, more institutional settings, are perhaps more vulnerable and tend to be victimized more, but it's throughout the community, not just in public housing.

Also, on the tour we will be taking later, we are going to show you some of the physical remedies that we have put in place at one of our older public housing projects; one that has, in fact, been victimized by drugs.

It includes some high intensity lighting. People don't do in the light what they tend to do in darkness.

We have also done what we call a defensible space project, which is designed to reinforce the sense of ownership on the part of the people who live there, and to define where outside people can go on the site, and where they can't, by erecting barriers, including fencing and so forth. You will see that on the tour.

I think that physical changes that are suitable for each individual project—and of course, what we have done here in St. Petersburg might not intelligently apply in New York, but some physical changes would be warranted to help in that particular situation.

I think there are a number of other things we can do. For example, I think that in those projects that are most likely to be victimized by the drug situation, we should try and institute some programs to empower the people to take control of their sites.

I think that those might be good candidates for tenant management training. We have applications pending now before the Federal Government to receive funding for tenant management programs that we would like instituted at two sites here in St. Petersburg. I think that that kind of approach would help them reclaim their own lives and control over their own properties.

I think the Federal Government also is going to have to assist localities in providing money to increase the size of police forces, because in the final analysis, you have got to secure the site, and

that is going to come about only through having more manned police power; and of course, to stop drugs at its source.

We're concerned here in Florida, as you know, here in particular, because they seem to be cutting back on the amount of Coast Guardsmen necessary to intercept drug traffic coming up from the south.

Mr. BRAUN. The other thing is, we do need short-term, we need security on premise, and if the local law enforcement cannot provide that because of budgetary things, then something specifically mandated for public housing needs to happen.

Too, obviously the judicial system is just weighted down. Until they take that seriously, this problem will continue.

It is a problem where we have arrested a 14-year-old boy the other day with $4,000 in his pocket. We find the user satelliting on the single parent mothers, intimidating them, finally getting them to become users, and this is the type of program that we don't have the manpower or the personnel power, managementwise, in our budgets, to do that.

We only can react rather than preact. We do things like lighting and other things that Ed talked about, but right now the community as a whole must get serious. Until they do, we will chase it out of public housing down three more blocks, put the lights down there, and chase it out three more blocks.

The Nation and communities are going to decide that this is all out war, or it's cops and robbers.

Senator GRAHAM. We are again coming to the end of the time for this panel. Mr. Mayor, would you care to ask questions?

Mr. ULRICH. I have no questions.

Senator GRAHAM. Don, did you have a question?

Mr. CAMPBELL. No. The comments, particularly those on the problem, have been very helpful. You have also mentioned the need for bringing supportive services and housing together. We agree. As we are working on a new bill, particularly with leadership from Senator Graham on this issue, we have been giving more attention to the need for supportive housing that will enable elderly tenants to age in a place with dignity and independence.

So we are going to be very, very interested in some of your suggestions that you might have on how we can best, or what are the greatest needs in the current housing stock to retrofit, particularly for elderly people, to enable them to age in place.

And if we were to come up with a very short list for now, and I would like to talk to you further about it as the weeks go on, what would those greatest needs be for adjusting the existing housing stock, section 202 housing, or our publicly owned housing, to enable people to age in place.

Do you have a short list that you might mention now?

Ms. THOMPSON. I think one of the most important things as far as the facility itself is concerned, is to give more space for essential services to happen in the apartments, to give more renovation to

things like frost free refrigerators, when a person who is 85 years old can no longer defrost the refrigerator.

Our elevators need to be updated with more equipment so rescue can respond. We need to look at improvements in fire safety standards. But I think that overall there needs to be social services within a facility so they can use the social service coordinator to go out into the community to find the services that are available for our residents and help link them to these services.

Many of these services will be paid for by another funding source, or the resident can pay in part. It wouldn't need to be entirely dollar supported.

PREMATURE INSTITUTIONALIZATION

Senator GRAHAM. If I could pursue that request further, there is an assumption that some people are prematurely placed in institutionalized settings because their home, their apartment where they have been living, has some limitations which make it inappropriate, and you mentioned some of them such as size of doors and other things.

I would be interested in, if we could get some, either anecdotal or systematic data as to how extensive is that premature placement of persons into institutions because of the circumstances in a public housing facility, either one, specifically for the elderly or general population facility, which happens to include some elderly, how recurrent is that problem, so that we could help establish—are we talking about a major problem, minor problem?

Ms. THOMPSON. I feel it's a major problem, in my personal perspective.

Mr. WHITE. Physical retrofitting of units, I am not in a position to estimate how much of that is necessary. But I think it goes beyond medical retrofitting to accommodate the needs of people who can age in place. A lot of it has to do with the capacity of the person to continue an independent lifestyle after some debilitating illness.

They don't really need to go to a nursing home, but at the same time they are not quite able to maintain the independent lifestyle.

In many instances, the only thing they really need would be a meals program, perhaps some homemaker care. But that would be far cheaper to do that in place than to put them in a nursing home that might cost $50, $60 a day.

In some instances, the congregate dining facilities might be the answer, either through conversion of existing spaces or adding spaces. The proper problem is how do we fund these things. Particularly in a public housing framework and some of the 202 section 8 programs, you might have a large nonprofit institution behind it who has access to other dollars that might be able to fund some of these things, but in the purely public housing setting, often we have the physical facilities but we don't have the wherewithal to bring the services in.

Senator GRAHAM. I want to thank you very much for your excellent comments. We have a lady in the back who has raised her hand.

Did you have a comment or question to make, ma'am?

Ms. KOEYMAN. Yes, please. I represent a lot of senior citizens. In buying a home for the young and middle aged, and mentioning that in the low income, but what is a low income? I have heard in the past 4 weeks of $8,000 to $12,000 to $14,000 and more, yearly.

Now, $12,000 to $14,000 plus, yearly, plus the other benefits, should mean that if a housing, and especially subsidized, means that, and especially subsidized, that the payments, that the taxes should be paid the same as I would be paying on mine, because my income is $7,000 a year. If I am paying taxes on it, then the subsidized person even in a public home that would be, if you want to call it a public home where you are subsidizing it, they should be paying the same city taxes for the same benefits I would be paying for, and I feel it would only be fair to do that.

If not, can a cap be placed on the incomes of the low income persons say $7,000, $8,000, $9,000 bracket, can a cap be placed on that regarding the senior citizens and the low incomes in order that if they are buying the property or have problems—a lot of them, I guess have paid for their homes in years past, so we will not be paying for the homes, so this would be a big help along that line.

On the low and fixed income persons, we also have what is now going through on redevelopment in the city of St. Petersburg and throughout the whole Pinellas County and the code enforcement, particularly here in the city, is a good example.

Going through the various areas, and especially the redevelopment areas, the code enforcement found many homes needs repairs, saying you have 30 days to do it, with a fine of $15 or $25 a day, is a necessity, or they will place a lien on the property.

And for the person that has an income of $200 to $600 a month, this is where it really especially hurts. And this is where it would benefit of something coming from the Government in order to help them on that.

This is, the majority of these persons are paying city, county taxes, and cannot handle on fixed incomes, a large repayment.

One of the main things when you mentioned Medicare, your long term Medicare health benefits that Medicare A and B, the deductibles have gotten so high, and what has been introduced now has gotten to the point where the average person whose incomes are, say $6,000, $7,000 and $8,000 a year they cannot afford to get medical attention, and they are being deprived of medical attention, and in the long term is going to be hit hard by having a larger amount against them each month to be deducted from Social Security, from Medicare, that they will not be able to have the necessities that they need, such as eating, utilities, so forth, because it's going to hurt them twice as hard.

That long term is going to be too expensive as it is now for the average person, and I sincerely hope that this will be well looked into, to think about a person whose income is $200 to $600 a month, and that is one of the things that I am interested in there.

I am sincerely hoping that one of these days you all will think up there, these people going into the low income and subsidized homes, the people who are not working, the dropouts and so forth.

Please, please think about the Civilian Conservation Corps, the CCC, as we had in the past where we trained the people for working.

It was an excellent setup and did well throughout the depression times, but the main thing now is senior citizens and low incomes, we want to look out for them and make sure they are benefited, and if a cap can be placed on their incomes with all this taxation and everything else, I hope you can give us your help.

Senator GRAHAM. Will you give us your name.

Ms. KOEYMAN. Emily Koeyman, K O E Y M A N, 6936 45th Ave., St. Petersburg, FL 33709.

Senator GRAHAM. Thank you. I wish to extend my thanks again to those who have participated, to the audience, this has been a very constructive session, and I want to thank the mayor and the other officials of the city of St. Petersburg for giving us such an appropriate place and an informative set of participants that made this a meaningful contribution to our report to the committee, and for its subsequent use in developing a new national housing policy.

Mr. ULRICH. We are delighted, Senator, to have had you and your committee, and any time that we can be of assistance in this regard, we would be happy to.

Senator GRAHAM. Thank you. The meeting is adjourned.

AFFORDABLE HOUSING STUDY GROUP, APPENDIX FOR FEDERALLY ASSISTED RENTAL PROGRAMS
Prepared by Key West Housing Authority 2/28/88

FEDERAL SECTION 8 CERTIFICATE/VOUCHER* PROGRAMS, MONROE COUNTY, FL.

	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
1. Family Size								
2. Maximum Family Income 50% of Median County Income	12,900	14,700	16,550	18,400	19,850	21,350	22,800	24,300
3. Utility Allowance Average Tenant furnished el./water	37	41	46	52	55	55	60	60
4. Utility Allowance Average Owner furnished garbage/ sewer/appliances	45	45	45	45	45	45	45	45
5. Maximum Family Rent Portion	285	326/326°	368/368°	408/408°	496	479	510	548
6. Minimum Federal Subsidy	154	150/304°	216/339°	170/293	202	219	248	210
7. Allowable Adjusted Rent (Program Fair Market Rent)	439 476 (1-bdr)	435/589° 476/630° (1bdr/2bdr°)	584/707° 630/753° (2 bdr/3 bdr° units)	578/701° 630/753°	698 753 (3-bdr)	698 753 (3-bdr)	758 818 (4-bdr)	758 818 (4-bdr)

*Voucher Program allows tenant the ability to pay over 30% of the family income. The Certificate Program does not.

FEDERAL CONVENTIONAL PUBLIC HOUSING PROGRAM, MONROE COUNTY, FL.

	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
1. Family Size								
2. Maximum Family Income 80% of Median County Income	15,700	17,900	20,150	22,400	23,800	25,200	26,600	28,000
3. PHA Utility Allowance	25	30	30	37	37	37	45	45
4. Minimum to Maximum Rent Allowed Based on 30% of the family income plus deductions for dependents	0-357	0-402	0-450	0-487	0-510	0-533	0-348	0-571

Average Rent $ 165

FEDERAL LOW INCOME HOUSING TAX CREDIT PROGRAM, MONROE COUNTY, FL.

	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person	Median
1. Tenant/unit Size									
2. 60% Median Income/Monroe Cty	15,480	17,640	19,860	22,080	23,820	25,620	27,360	29,160	28,000
3. Standard Rent Allowed (includes avg. tenant Util. Allow.)	350	400	450	500	540	585	625	669	650
4. Standard Tenant/Owner furnished utility allowances	37/45	41/45	46/45	52/45	55/45	55/45	60/45	60/45	50/45

BROADSIDE -- TWO TO A PAGE

DOCUMENTARY & BENEVOLENT AID

A NEW THREE-TIER
PUBLIC / PRIVATE PARTNERSHIP
HOME PURCHASE PLAN
for MIAMI & DADE COUNTY'S WORKING POOR

A proposal prepared

by MARTIN FINE

Miami, Florida ~ October 1986

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I N T R O D U C T I O N
The Objective of DBA

A HOME FOR THE WORKING POOR

There is great ambiguity in the words 'poor' and 'poverty'. Poverty is dictionary-defined as deficiency in necessary properties or desirable qualities. It is more modernly described in social studies as 'relative deprivation'. Government economists have decreed a poverty line, and to alleviate its larger social conscience, the country now more politely refers to the poor as those 'families of lower income' since 'poor' has long been considered a demeaning term. Anthropologists interpret 'being poor' as having a restriction of choice.

Whatever the official definition, the popular concept of a poor person is one who is unemployed and exists on government Welfare. Unfortunately, the best intentions of Welfare have had the worst results, and because it subverts the work ethic, welfare has become a pejorative term.

The purpose of this introduction to the Documentary & Benevolent Aid Trust, however, is not to address the dependent, idle poor, but the housing problems of the WORKING POOR. I propose that we abandon the sweeter rhetoric and return to the use of the old terms 'working class - the deserving poor'; and that you join with me and others who have more than the usual freedom of choice as to where we live, to examine the origin and touchstone of our personal, private attitudes toward poverty and do some meliorative work in our community.

The poor are anonymous masses of people in varying degrees of deprivation. The main objective of our private and public policies toward the poor should be to help improve the living conditions, help enhance the moral integrity and preserve the independence and courage of the laboring poor.

The vexing, ubiquitous problems of inequities, injustice, prejudice and poverty are not going to be solved by any system of government alone, but by a high number of quality human beings who, because of their own personal valuation of human life, WILL NOT PERMIT THE INEQUITIES. In that sense, whatever we do for the development of quality human beings will gradually increase their numbers and that quality will eventually permeate all of a community's society.

Whatever personal success we achieve is ultimately our gift to the community in which we live and to its collective life. Poor or wealthy, we are, each one of us, part of a human community and whatever each of us is personally, affects the tone, the quality of life in that community.

Let us focus our attention on the working, deserving poor - not only because they are pauperized psychologically, morally and culturally, but let us assume that the deserving poor require our assistance precisely because they are deserving and need encouragement to continue to be deserving. It is my observation that there are diligent laboring people in our community who are trying to live decently, respectably - but they are poor. They are paying an exhorbitant percentage-of-income to rent inadequate, crowded quarters, barely maintaining their families in tolerable comfort; their children must relate daily to street violence in unsuitable tenement neighborhoods. When people are densely packed in supercharged atmospheres you find a high collective anxiety quotient. At bottom, their family relationships suffer - that is the very real effect of inadequate, substandard housing on the family. Therein lies the tragedy that has made them individually and as a class, the most perplexed and to be pitied Americans. It is still the plight of the poor working class that strikes at the heart.

WHY SHOULD A COMMUNITY ENCOURAGE HOME OWNERSHIP FOR ALL CLASSES OF ITS CITIZENS?

HOUSING IS WHERE WE LIVE - HOME IS WHERE WE START FROM!

All through my thirty year involvement in advancing the cause of adequate shelter for the poorer members of our area, I have been called a housing activist, a concerned houser. I now take a position I should like to refer to as "home-culturist" - which means that I advocate the advancement of family home ownership.

The instinct of private property is fundamental in human beings. The American standard by which success is measured - owning a home - is almost a national religion. Even our national tax system is used for the social purpose of encouraging home purchase.

Every culture possesses a proper concept of 'home'. It is a center of strength for protection, the raw material out of which a good family can grow. What has distinguished the American culture in the past has been optimism for the future. Reaching the universal goal of owning a home - that passport to all that is best in American life - was a large part of the optimism. The inability of people to purchase a home is usually viewed as a real-estate and building industry problem, a banking problem, a national problem. In fact, it is today a community problem, since what is also involved here is the bringing of its working class people into active participation in the community - instilling a respect for, and pride in, property.

The gradual process of socialization takes place in family settings. In addition to income and occupation, property-franchisement and social characteristics of residents influence their attitudes toward community affairs, politics, government. The property-disadvantaged working class is usually the majority of people in a society; they receive the lowest incomes and there is no doubt that voter apathy prevails among these members of a community. How they view their position influences their social behavior and their political attitudes.

TRACING THE HISTORY: THE WORLD OF HISTORY FROM WHICH WE DRAW OUR WISDOM, THE COURAGE TO ACT; FULL CIRCLE FROM LEVITICUS TO THE FHA

The history of poverty and the social experiments instituted for the care and housing of the poor is now becoming so voluminous one hardly knows where to start documenting it.

From the earliest Biblical admonitions, to the twentieth century welfare state, the process of 'giving and helping' has been counseled, encouraged and gradually publicly subsidized.

We commonly think of the 'poor problem' as having its beginning during the feudal period when the world-view of the poor made them the natural charges of the church and the manor.

Early housing reform grew around the idea that public intervention was necessary in order to elevate the standards of the housing offered by the private sector. The main goal was improvement in quality (sanitary facilities etc.) rather than increase in quanity.

The national government became involved in housing construction for the first time during the Great Depression. At that time its goal was to save the liquidity of the banking system and secondly, thanks to deflation, to prevent the loss of existing housing through the inability of families to keep up their mortgage payments. The Federal Housing Administration's mandate to insure mortgages on new home construction was intended to stimulate employment in the construction industry as much as it was to increase housing production.

The very first low-rent public housing legislation of 1937 required the removal from the market of an equal number of existing slum and substandard units for every new project. Its purpose was "urban renewal".

Now, nearly fifty years later, the federally subsidized, publicly owned low-rent housing program has come to an end, and the housing situation of poor families is worse than ever.

Owing to the social upheaval gripping the country in the 70's and 80's, and the fiscal stress economy (which has been spending more than it produces and faces the necessity of continued large scale spending on national defense), the current Republican administration has made only modest allocation of new debt for housing purposes and, in effect, has returned the responsibility to the private sector. The Reagan administration has all but discredited the idea that government can, let alone should, do anything about poverty.

The signs of the times are pointing to a return to a non-capitalist, low or no-interest Puritan Ethic, private solution.

Early religious paternalism preserved features of an anti-capitalist ethic (the prohibition of interest at ANY rate and the appeal to a fair price) while simultaneously advocating the Puritan Ethic often associated with capitalism (thrift, prudence, hard work).

This is precisely the conjunction of principles that constitutes my proposal for the DOCUMENTARY & BENEVOLENT AID TRUST which follows. It is a mild surprise, just a little short of astonishing, to realize that the recommendations of this proposal have brought us nearly full circle to the Biblical admonitions of Leviticus: "And if thy brother be waxen poor, and fallen in decay with thee, then thou shalt relieve him; yea, though he be a stranger ... take thou no interest from him, or profit. Thou shalt not give him thy money for interest, nor lend him thy provisions for profit."

P R O P O S A L

PROPOSED: A 3-tier partnership, complete home-purchasing plan, to be titled DOCUMENTARY & BENEVOLENT AID

TO BE OFFERED TO: DADE COUNTY WORKING POOR with an annual family income of $13,650 to $17,550 (median income for a Dade County family of 4 persons is $26,000)

PURPOSE: TO PURCHASE A NEW single-family, DETACHED HOME (See Prototype Plan pg.11) OR TO ACQUIRE AND RENOVATE TO STANDARD AN EXISTING HOUSE

LIMITED TOTAL COST: $50,000

THE 3-TIER PURCHASE PLAN:
(See Projection, Typical Purchase pg.12)

1 - SELF-HELP A minimal good-faith DOWN PAYMENT & CLOSING COSTS to be paid by the buyer - the total not to exceed 5% of the purchase price, plus

2 - DOC/BENE AID A ten-year NO INTEREST permanent, low loan-to-value FIRST MORTGAGE, representing 30% of the total mortgage, to be provided by the administrators of the proceeds from the new DOCUMENTARY & BENEVOLENT AID TRUST FUND (See Plan Outline pg.9), plus

3 - DADE COUNTY DOCUMENTARY TAX STAMP ASSISTANCE * A thirty-year LOW INTEREST SECOND MORTGAGE ** representing 70% of the total mortgage, provided by funds committed to the Doc/Bene Aid Trust by the Documentary Surtax Advisory Board

OWNER'S MONTHLY PAYMENT:
(Representing no more than 30% of income)
Approximately $230 1-5 yrs;
$255 6-10 yrs;
$218.93 11-30 yrs

* See History of Dade County Documentary Surtax, page 12
** This low-interest rate will vary depending on family income

PLAN OUTLINE
DOCUMENTARY & BENEVOLENT AID

FINANCING: INITIAL GOAL: TO RAISE $1,000,000 FROM SALE OF TEN-YEAR NON-INTEREST BEARING DOC/BENE BONDS, TO BE ISSUED IN DENOMINATIONS OF $1,000 AND $5,000 BY A DULY-QUALIFIED FLORIDA NOT-FOR-PROFIT CORPORATION SPONSOR

THE FIRST $150,000 RAISED WILL PROVIDE TEN ZERO-INTEREST FIRST MORTGAGE LOANS AT $15,000 EACH FOR A PILOT PROGRAM OF TEN HOMES ON INFILL (SCATTERED) 50'x100' LOTS IN DADE COUNTY'S WEST LITTLE RIVER NEIGHBORHOOD, TO BE DEVELOPED BY MIAMI DADE NEIGHBORHOOD HOUSING SERVICES, A NON-PROFIT COMMUNITY DEVELOPMENT CORPORATION (CDC)

THE 1-5 YEAR TARGET IS TO RAISE $10,000,000

"BENEVOLENT" TERM INDICATES PURCHASERS OF THE BONDS WHO ARE IN EFFECT LENDING MONEY AT ZERO INTEREST FOR A TEN YEAR PERIOD; THE PROCEEDS ARE TO BE DEPOSITED IN DOC/BENE TRUST AND USED TO PROVIDE ZERO INTEREST LOW LOAN-TO-VALUE (not to exceed 30% of the cost of home) FIRST MORTGAGES FOR POOR WORKING DADE COUNTY FAMILIES, THE TRUST FUND AND PROCEEDS TO BE TIED IN PERPETUITY TO, AND USED IN CONJUNCTION WITH:

"DOCUMENTARY" STAMP SURTAX PROGRAM LOW-INTEREST SECOND MORTGAGE ASSISTANCE FUNDS ALLOTED TO THE DOC/BENE AID PROGRAM BY THE DADE COUNTY DOCUMENTARY SURTAX ADVISORY BOARD (INITIAL PILOT TEN-HOME ALLOTMENT, $350,000)

RETURN TO BOND-HOLDER: ONE ANNUAL PAYMENT OF ONE/TENTH OF FACE VALUE; OPTION TO LEAVE MONEY FOR FULL TEN-YEAR PERIOD

PROSPECTUS: TO BE PREPARED IN THE NEAR FUTURE. A DETAILED PROSPECTUS WILL BE UTILIZED TO FULLY DESCRIBE THE PROGRAM AND THE NATURE OF THE DBA TRUST BONDS. IT WILL BE AVAILABLE, ON REQUEST, TO INDIVIDUALS, FOUNDATIONS, CORPORATIONS OR ANY CONCERNED-HOUSING NON-PROFIT GROUPS

FLORIDA TAX CREDIT STATUS: THE DBA BONDS WILL BE ISSUED BY A SPONSOR (A DULY-QUALIFIED NOT-FOR-PROFIT CORPORATION UNDER SECTION 617.01, FLORIDA STATUTES) AND THUS THE NON-INTEREST BEARING DBA BONDS SHOULD QUALIFY AS AN EXEMPT SECURITY UNDER FEDERAL SECURITIES LAW. THE BONDS SHOULD ALSO QUALIFY FOR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT PURSUANT TO SECTION 517.051(9), FLA. STATUTES

I.R.S. CHARITABLE DEDUCTION STATUS: AT THE PRESENT TIME, THE ORIGINAL DBA BOND PURCHASE IS NOT DEDUCTIBLE AS A CHARITABLE GIFT SINCE IT IS A NON-INTEREST BEARING LOAN, NOT A GIFT; THE ORIGINAL BOND PURCHASE IS DEDUCTIBLE IF IT IS SUBSEQUENTLY DONATED TO AN I.R.S Sec.501(c)(3) CORPORATION OR OTHER QUALIFIED FOUNDATION OR ENTITY

CORPORATIONS: ARTHUR ENGLAND (FORMER CHIEF JUSTICE OF THE FLORIDA SUPREME COURT & DRAFTER OF THE ORIGINAL FLORIDA CORPORATE INCOME TAX PROGRAM OF 1972) AND I HAVE PREPARED PROPOSED LEGISLATION WHICH WE ANTICIPATE INTRODUCING IN THE NEXT SESSION OF THE FLORIDA LEGISLATURE THAT WOULD GIVE CORPORATIONS A TAX CREDIT IN AN AMOUNT EQUAL TO THE IMPUTED INTEREST HAD THE LOANED DBA FUNDS BEEN INVESTED IN FEDERAL FUNDS (Please see copy of Proposed Florida Tax Credit Legislation, Appendix A)

INDIVIDUALS: IN SUBSEQUENT YEARS, WE INTEND TO PROPOSE LEGISLATION TO THE U.S.CONGRESS WHEREWITH INDIVIDUAL DBA BONDHOLDERS WOULD BE GIVEN A FEDERAL TAX CREDIT FOR THE AMOUNT OF IMPUTED INTEREST HAD THE DBA FUNDS BEEN INVESTED IN U.S.TREASURY BILLS FOR THE SAME PERIOD

ADMINISTRATION: THERE SHOULD BE NO NEW ADMINISTRATION COSTS. A DULY-QUALIFIED NON-PROFIT CORPORATION UNDER THE PROVISIONS OF 501(c)(3) OF THE INTERNAL REVENUE CODE WILL SERVE AS AN INITIAL SPONSOR OF THIS DOC/BENE AID PROGRAM. A NON-PROFIT COMMUNITY DEVELOPMENT CORPORATION ALREADY ENGAGED IN THE CONSTRUCTION OF LOW COST HOUSING IS AT WORK

CREATING A LAND BANK OF TEN SCATTERED LOTS FOR THE INITIAL PILOT PROGRAM. IT WILL PROVIDE THE NECESSARY MANAGEMENT, ADMINISTRATIVE AND ADVISORY SERVICES AND COORDINATE THE OVERALL PROGRAM FOR THIS FIRST PILOT EFFORT

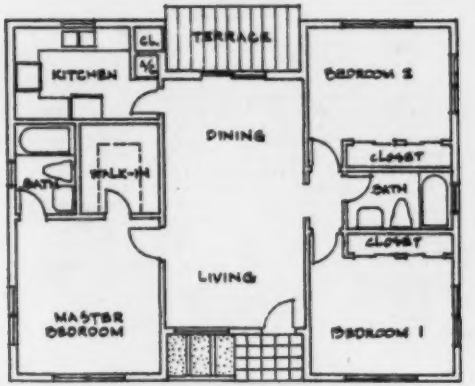
NOTE: MIAMI DADE NEIGHBORHOOD HOUSING SERVICES, A NON-PROFIT COMMUNITY DEVELOPMENT CORPORATION (CDC) HAS RECENTLY COMPLETED AND SOLD TWENTY-TWO HOMES IN DADE COUNTY'S WEST LITTLE RIVER NEIGHBORHOOD, UTILIZING THE DOCUMENTARY STAMP TAX SECOND MORTGAGE PROGRAM SUPPLEMENTED BY A CONVENTIONAL FIRST MORTGAGE

CUSTODIAN/AGENT: A MAJOR FINANCIAL INSTITUTION, ABLE TO WORK ON A PRO BONO BASIS OR AT VERY MODEST COST, WILL BE APPOINTED TO RECEIVE DOC/BENE BOND PROCEEDS FOR THE TRUST FUND, ACCUMULATE MONTHLY PRINCIPAL PAYMENTS, COLLECT AND TRANSFER TAXES AND INSURANCE, MAKE ANNUAL BONDHOLDER PAYMENTS, AND REPAY THE DADE COUNTY DOCUMENTARY STAMP LOAN

ACCOUNTING & INVESTMENT POLICIES: IDLE DOC/BENE TRUST FUNDS ARE TO BE INVESTED IN U.S.SECURITIES. THE INTEREST EARNED FROM THAT SOURCE AND ON MONTHLY PAYMENTS TO THE BANK FOR TAXES AND INSURANCE SHOULD COVER THE COSTS OF THE BANK ADMINISTRATION & OTHER ADMINISTRATIVE & RELATED COSTS

ACCOUNTING SERVICES: A MAJOR ACCOUNTING FIRM WILL WORK ON A LOW-COST OR PRO BONO BASIS FOR ALL REQUIRED ACCOUNTING WORK AND THE PREPARATION OF AN ANNUAL REPORT WHICH WILL BE FURNISHED EACH BONDHOLDER INDICATING NUMBER OF HOMES ACTUALLY PURCHASED WITH PROCEEDS, THE NUMBER IN PROGRESS, ETC.

TARGET DATE: WE EXPECT TO HAVE RAISED THE FIRST $150,000 AND BE FULLY FUNDED FOR THE FIRST TEN HOME MORTGAGES BY MARCH 31, 1987; THE BALANCE OF THE FIRST $1,000,000 BY THE END OF 1987



FLOOR PLAN SC. 1/8"

AREA = 1150 SQ. FT.

PROTOTYPE PLAN

TYPICAL PURCHASE PROJECTION

PROJECTION OF TYPICAL MAXIMUM COST $50,000 HOME PURCHASED BY A WORKING FAMILY OF 3-6 PERSONS WITH A TOTAL ANNUAL INCOME OF AT LEAST $13,650 TO $17,550

	AMOUNT	INTEREST	MONTHLY PAYMENT	
Owner's Total Down Payment & Closing Costs	$ 2,500. *			
Ten-Year Dac/Bene Bond First Mortgage	15,000.	0%	125.00	Principal Only
Thirty-Year Documentary Surtax Second Mortgage	35,000	3%	25.00 50.00 147.00	1-5 yrs 6-10 yrs 11-30 yrs
Taxes & Insurance			80.00	
TOTAL MORTGAGE	50,000		230.00 255.00 227.70	1-5 yrs 6-10 yrs 11-30 yrs

* This total should not exceed 5% of total home cost (buyer's down payment of $2,000 plus estimated maximum closing costs of $500). Closing costs should be less than 1% since there will be no points.

HISTORY OF THE DADE COUNTY DOCUMENTARY SURTAX PROGRAM

In the late 1970's there was an acute shortage of housing for middle and low income families in Dade County. For many years the FHA (Federal Housing Administration) had been insuring housing for middle income persons who were able to pay market rates for mortgage interest. Because I saw an urgent need for even further affordable-housing government-assistance for moderate income as well as low income families, I authored a bill that would double the existing Dade County documentary stamp tax on mortgages and deeds from commercial property transactions and pledge the new revenue (surtax) to a revolving loan fund to provide very low interest (0-6%) second mortgages to help poor residents buy or renovate homes.

This Documentary Stamp Surtax bill was first introduced to the Legislature in 1980, updated, redrafted and reproposed in 1982 and again in 1983, when it was finally approved and became Senate Bill 5856.

Senator Carrie Meek, a Miami Democrat and long-time champion of decent housing, sponsored and shepherded the bill through three years of Senate subcommittee hearings. She was the principal proponent and driving force in the Senate and was primarily responsible for the bill's passage. Senator Jack Gordon, Representative Barry Kutun and Representative Mike Friedman also demonstrated exceptional leadership and strong support for the bill.

Our local officials' support is based on their perceptions of the needs of our community. In October 1983, the Dade County Commission implemented the legislation and the Documentary Surtax now provides approximately $13,000,000 each year for second mortgage assistance to moderate and low income families who are able to secure conventional first mortgage loans.

Since its inception, the Dade County Documentary Stamp Surtax program has financed second mortgages (to conventional first mortgage bank loans) for 700 homes, and there are 300 homes in the processing stage.

This existing Surtax program does not, however, serve the needs of the working poor, who, in most cases, cannot qualify for a conventional first mortgage.

\+ + + +

I like to refer to the newly proposed DOCUMENTARY & BENEVOLENT first mortgage plan as the "second generation" of the Documentary Stamp Surtax program. I believe the combined program will be an outstanding success.

The default record in the existing Documentary Stamp progam is very, very low - less than one percent - and there is every reason to believe this low rate would carry over into the proposed DOCUMENTARY & BENEVOLENT AID program. The applicant's work records will be reviewed and his/her desire for upward mobility determined. Housing reformers cannot impose traditional middle-class standards and behaviors on those who do not want them. The proposed DBA plan is provided for people who very much desire them, who want OUT of the pattern of poverty's disenfranchisement and need help to work it out.

The existing documentary surtax program may be the only one of its kind in the country and, for that reason, Dade County is more fortunate than many other areas. But for that low 0-6% Documentary Stamp second mortgage, and now the second generation quantum leap DOC/BENE zero interest first mortgage, added to their own down payment from savings, these people would never become home owners.

To survive today's many pressures (the combined influences of economic realities and citizen needs), cities have to be innovative - do more with less. I feel very strongly that the private sector is now the key to our community's societal improvement. The

proposed DOC/BENE program brings together a private sector contribution, county government assistance and self-help. It is designed to stretch across our multi-ethnic community and should be a major catalyst in improving neighborhood housing and promoting good will in all sectors of our plural society.

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In summary, the issue addressed here is how the public and private sectors can work together to meet the challenge of community housing needs confronting us, bereft as we now are of the fifty-year housing driving force which was the federal government.

The DOCUMENTARY & BENEVOLENT AID TRUST herewith proposed is an innovative way that accommodates to the change, is tolerant of pluralism, and finds a new way to blend the energies and resources of the individual (self-help), corporate and foundation interests (benevolent lender) and local government (Dade County existing surtax). It focuses all energies in the pursuit of a goal that benefits the total community. If these entities work together, there is little that cannot be accomplished.

I recommend that we commence as soon as possible with an initial pilot program in several ethnic neighborhoods in Dade County.

The reluctance to at least test this alternative may only delay and in the long term intensify our housing crisis.

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This Proposal does not constitute an offer to sell any securities to which it relates. A detailed Prospectus will be available to fully describe the DBA Trust.

APPENDIX A

PROPOSED FLORIDA TAX CREDIT LEGISLATION

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An act amending the Florida Income Tax Code to grant a tax credit to corporations and financial institutions which provide first mortgage money for housing for the poor; adding new sections 220.185 and 220.70; providing an effective date.

Section 1. Section 220.185 is created to read:

220.185 Housing Credit against tax. -

(1) (a) There shall be allowed as a credit against the tax imposed by Part II the amount of a housing contribution made by a taxpayer in the taxable year.

(b) No taxpayer shall receive more than $50,000 as an annual tax credit for a housing contribution.

(c) For purposes of this section and section 220.70, a "housing contribution" shall mean an amount computed for each taxpayer by multiplying (i) the prime rate of interest charged by the taxpayer from time to time during the tax year against (ii) the aggregate balance of first mortgage loans outstanding for eligible housing. "Eligible housing" shall mean a single family residence owned or being purchased by a family whose income does not exceed 80% of median income of residents in the county of residence, as that median income is defined by the United States Department of Housing and Urban Developoment.

(d) If the credit granted pursuant to this section is not fully used in one year, the unused amount may be carried forward for a period not to exceed 5 years. The carryover credit may be used in a subsequent year when the tax imposed by this chapter for such year exceeds the maximum available credit allowable for such year under this section.

(e) The department shall promulgate any rules necessary to ensure orderly implementation and administration of the housing credit provisions of this act, including the allocation of credits among taxpayers whose aggregate annual credits exceed the amount stated in subsection (2).

(2) The annual, total amount of tax credit granted for housing contributions shall be no more than $10,000,000.

Section 2. Section 220.70 is created to read:

220.70 Housing credit against tax. -

(1) There shall be allowed as a credit against the franchise tax imposed in Part VII the amount of a housing contribution as defined in Section 220.185, made by a bank or savings association in the taxable year or carried over to a subsequent taxable year under that section.

(2) No bank or savings association shall receive as an annual tax credit for a housing contribution more than the lesser of $50,000 or sixty percent of the tax due before the credit.

Section 3. This act shall become effective upon becoming law.

STATE OF MISSISSIPPI
RAY MABUS
GOVERNOR

April 25, 1988

The Honorable Alan Cranston
Chairman
Committee on Housing and Urban Affairs
United States Senate
Dirksen Senate Office Building, Room 535
Washington, D.C. 20510

Dear ~~Senator Cranston~~ Alan:

I appreciate the opportunity to comment on A Decent Place to Live: The Report of the National Housing Task Force, which your committee is using to formulate new federal housing legislation. Comments about specific recommendations are enclosed.

During my brief time in office we have begun to examine our needs in housing and formulate a strategy to improve housing quality and affordability for our citizens. The thrust of the Report toward expanded public-private partnerships to produce more affordable housing is in keeping with what we see as our best opportunities here in Mississippi. We enthusiastically suppport the concept of a Housing Opportunity Program and other steps that will revitalize the federal government's commitment to housing. We are determined to make maximum use of our resources to upgrade housing, but increased federal housing assistance is crucial if we are to significantly improve housing in Mississippi.

We in Mississippi will closely follow your work as we continue to shape our own program. If I can be of any assistance in your efforts, please let me know.

Sincerely,

RAY MABUS
GOVERNOR

RM:mll

Enclosure

cc: Andrew Valentine ✓

PLEASE -- TWO TO A PAGE

COMMENTS ON A DECENT PLACE TO LIVE
by The State of Mississippi

I. A New System for Delivering Affordable Housing 31-45*

Formulas used to allocate Housing Opportunity Program (HOP) funds to communities must not discriminate against southern, rural, less dense jurisdictions. (p 34) The percentage of year-round housing units in Mississippi built before 1939 was 15 percent in 1980, compared with the national average of 25 percent. Lack of housing as well as age should be considered in determining the incidence of housing distress and in calculating the distribution of HOP funds. In addition, distressed rural housing is missed if indicators are chosen that highlight large concentrations of poor quality housing. The answer we give to the question "What does housing distress look like?" must be fair to all regions of the country.

States should be given access to planning grants that will enable them to produce well-developed strategies to put the new programs into effect. The HOP is a complex undertaking, with challenging goals that require the development of partnerships between different levels of government and the private for-profit and non-profit sectors, as well as neighborhoods and individual households. A useful model of technical and financial assistance during the adoption of a new program was the HUD 107 planning grant available while the CDBG Program was being put in place. Such funds could enable states to hire staff or perform special studies during the period when the HOP is being implemented.

Special attention and assistance must be given to developing current, good quality, data on housing conditions to support implementation of the HOP. (p 39) We strongly agree that the Census Bureau must not take actions that will reduce the number of housing questions in the 1990 Census or the reliability of Census data at the community level. Census data is a valuable source of basic housing information. However, this data would not be available until 1992, well after the HOP would presumably start. Well-planned data collection efforts will be needed if states are to design effective programs. During the planning for implementation of HOP it would be helpful if states were eligible for special funds to collect and analyze data about their housing conditions.

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*Page numbers are keyed to the advance copy of A Decent Place to Live released March 28th.

Relaxation of federal requirements in line with a "minimum of regulation and maximum of flexibility" must be equally enforced across federal regions. (p 32) It is not unusual for HUD regulations to be interpreted differently across federal regions, to the detriment of innovative efforts in the states. Steps must be taken to ensure that federal regulations be made equally flexible from region to region. Congress should make sure that legislation written to establish the HOP be sufficiently detailed so that federal and state administrators will be equally clear about Congressional intent.

Phase-in of match requirement for HOP funds is especially important in Mississippi. (p 33) We recommend that the phase-in take place over 5 years.

States should be allowed to use CDBG funds to match a limited percentage of HOP funds. (p 33) In Mississippi, a housing set aside in the State's Small Cities Block Grant Program is a small but important component of the state's housing effort. States that allocate CDBG funds to housing would be penalized by the recommendation that HOP funds be matched by state or local funds only.

States should be allowed to reallocate funds that have been withdrawn from cities that fail to participate in or qualify for funding under the HOP allocation formula. (p 34) This would encourage HUD to work with states as equal partners in making HOP successful. It would also encourage non-profits, private developers, and others in the affected communities to build ties to the state rather than the federal government. This will strengthen housing coalitions within states, which over time could result in more aggressive state-funded housing programs.

Loans made by communities using HOP funds should be tied to sound loan policies and procedures to ensure that communities are not imposing excessively high interest rates on such loans. Communities should be given some flexibility to adjust interest charges to local needs but should not be allowed to use housing loan programs to generate revenues for other purposes.

II. New Sources of Capital and a New Institution for Low-Income Housing 46-51

Efforts to interest the banking industry in participating in innovative housing finance arrangements must take into account the pressure for closer regulatory attention to the balance sheet of southern banks brought on by weak oil and agricultural earnings. (pp 46, 80-82) The desire of housing advocates in encouraging banks to invest more funds in affordable housing projects, especially in poor neighborhoods, may be undermined by the need to develop a stronger loan portfolio. A balance must be struck between steps to improve solvency and the establishment of more innovative housing finance methods.

III. The Nation's Existing Low-Income Housing Stock 52-56

Recommendation that alternative ownership structures be explored for existing subsidized units is noteworthy, especially if it includes ownership by mutual housing associations or other non profit formats. (pp 53-54)

The recommendation that means be found to preserve existing unsubsidized affordable housing stock is especially worthy of adoption. (pp 55-56) Large numbers of Mississippians live in private, unsubsidized, housing that is in extremely poor condition. Efforts to upgrade such housing are stymied by the fact that landlords cannot recoup their rehabilitation costs from rents alone. Decentralized programs that closely involve landlords and tenants would be extremely valuable in improving this housing stock in Mississippi.

IV. Public Housing 57-61

Recommendation that HUD devote special attention to troubled projects must not divert attention from smaller troubled projects. (57-58) Mississippi lacks massive public housing projects, but many of the state's Public Housing Authorities would benefit from improved managerial and financial training. Efforts to improve the management of public housing projects must look beyond the crisis situations toward a comprehensive strategy for upgrading public housing management across the country.

V. Tax Policy and Low-Income Housing 62-68

We agree that authority for the Low Income Tax Credit must be extended beyond 1989. (p 65)

Low Income Tax Credit (LITC) regulations should be liberalized. (p 66) The LITC is not feasible in areas where median incomes are very low. The limit of 4 percent or 9 percent credit based on percentage of units devoted to lower income families is arbitrary and restrictive. The percentage of credit allowed should be on a sliding scale up to some designated cap. The amount of tax credit allowed

should be based on what it will take in a given location to interest investors in providing affordable housing.

States should be allowed to recapture unused LITC authority. (p 67) Under present law the authority for issuing tax credits simply expires and the funds are lost to the state.

States must be provided funds and technical assistance to market LITCs to non-profits. Establishing financial packages using the LITC is complicated and much more work must be done to educate potential for-profit and non-profit investors about the credit.

Efforts to adjust the passive income regulations contained in the 1986 tax reform to create incentives for private investment in affordable housing should not be limited to projects utilizing the Low Income Tax Credit. Passive income regulations should be waived on newly constructed or substantially rehabilitated residential property which is obligated for occupancy by low and moderate income residences after the effective date of new federal housing legislation. Substantial rehabilitation should be defined as bringing the property up to standard building codes, e.g. Southern Building Code. We recognize that passive income losses might be subject to abuse. With careful targeting, however, passive loss provisions could stimulate significant private sector investment in upgrading existing and developing new affordable housing.

VI. The Gap Between Housing Costs and Income 69-70

We strongly support the recommendation for an increase in federal rental assistance vouchers, more flexible definition of reasonable rent and efforts to provide rental assistance in ways that will lead to an increase in the supply of standard, affordable rental housing.

VII. Homeownership 71-79

Employer-assisted housing is an important concept worth pursuing. (p 77) In pursuing this objective however, it is important to consider the possible need for special incentives for low-wage employers who employ many of the working poor but often provide few benefits. Federal and local housing organizations must search for ways to encourage such employers to provide housing assistance as a benefit.

Stronger links must be established between middle income homeownership assistance and low income housing programs. Efforts to expand home ownership to below median income

home buyers depends on lowering interest rates for such loans. In part this requires capital infusion from foundations or other social investors to lower the cost of the loan funds. In part it requires that higher interest rate loans to moderate income households be included with low-income loans in the portfolio to strengthen the cash flow and interest buyers in the secondary market. We encourage promotion of such loan packaging efforts and expanded participation of non-profit housing agencies, such as Neighborhood Housing Services, that are critical in making them work.

VIII. The Housing Finance System 80-82

See comments in Section II.

IX. Fair Housing 83-85

The overriding goal in fair housing efforts should be to provide equal access to housing. We fully support efforts to encourage states and communities to develop programs that "specifically address minority housing needs and adopt measures intended to break down barriers of discrimination" (p. 36). The importance of providing specific administrative and legal remedies for victims of discrimination cannot be overemphasized. However it is important that solutions be developed in light of the real progress that is being made everywhere on removing racial barriers to personal choice. The concept of funding non-profit groups interested in testing housing discrimination claims and assisting in correcting them is particularly noteworthy. It is crucial that groups receiving such assistance be intimately familiar with the neighborhoods and families they propose to represent.

X. Housing in Rural America 86-88

It is imperative that a serious effort be made to impress on federal agencies responsible for housing and rural development the need for a "comprehensive and coordinated housing and rural development approach". (p 86) It is truly the case that a coordinated approach to rural development is necessary if we are to have an impact on the poverty, underemployment, substandard housing, and poor social and human services available in many rural communities. Part of the problem is that federal agencies do not approach rural areas with a common vision. We need to fundamentally redefine the goals federal agencies are expected to pursue in rural areas. Another factor is that program guidelines often evolve without reference to other complementary programs or efforts. Especially irksome is the different program funding cycles and formats agencies

use for such the same kind of activity. State and local governments regularly experience frustration in attempting to package funds from Farmers Home, the Economic Development Administration, the Appalachian Regional Commission, Tennessee Valley Authority, the Department of Housing and Urban Development, and other federal funding sources. The federal government and states must together examine how grant program guidelines and management can be adjusted to encourage more comprehensive strategies at the federal, state and local levels.

American Planning Association

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April 18, 1988

The Honorable Alan Cranston
Chairman
Subcommittee on Housing and Urban Affairs
Senate Committee on Banking, Housing and
Urban Affairs
Washington, D.C. 20510

Dear Senator Cranston:

On behalf of our 21,000 members--professional staff of municipal and county planning offices, members of planning commissions, city councils and other public bodies concerned with planning at all levels of government--we wish to commend you, Senator D'Amato and your Subcommittee for taking the leadership in the formulation of a new national housing policy, convening the National Housing Task Force and holding hearings on the subject.

We respectfully request that this letter be included in the official record accompanying the hearings that you held on April 12 and 14, 1988.

The American Planning Association, at your invitation, last October contributed its recommendations on a national housing policy. APA is pleased to see that many of these recommendations are reflected in the report of the National Housing Task Force, A Decent Place To Live.

There is, however, in our estimation, a serious omission in the Task Force's recommendations: the need for planning.

There is an oblique reference to the need for planning in the following quotation on page 22: "The Task Force recommends that state and locally designed housing initiatives be developed as part of comprehensive, coordinated community stabilization and revitalization strategies."

This is far short of what a planning process can do. **Planning can play a major, positive role in achieving the goals of A Decent Place to Live.**

Specifically, a planning process could:

1) direct the expenditure of funds to the most effective actions,
2) coordinate the vast array of public and private actions towards commonly defined objectives, and
3) provide a mechanism for public participation and review.

We recommend that each state or local recipient of Housing Opportunity Program funds be required to prepare and adopt a housing plan before funding is released and to update such plans at five year intervals. State plans would contain subplans by market regions which could be prepared by or in cooperation with existing regional planning agencies. All plans would be part of and consistent with comprehensive plans for each jurisdiction.

Housing plans should address, at a minimum, the following:

a. Analysis of current housing problems and issues, including gaps between supply and demand, mismatches between cost and ability to pay, overcrowding, and physical condition.

b. Long-range forecast of housing demand by type and price range. These forecasts should take into account a fair-share allocation among communities of housing for low- and moderate-income households. The fair-share approach should be developed as part of the state plan and be incorporated in a consistent manner in all local plans.

c. Estimate of specific housing needs during the next five years to serve all segments of the population, including low- and moderate-income families, the elderly, the handicapped, and the homeless. The estimate should include a reasonable commitment toward meeting the long-range fair-share allocation.

d. Analysis of obstacles to development, maintenance, and improvement of housing for low- and moderate-income households, including local land use and building codes, cost and availability of mortgage loans, lack of developable land, etc.

e. Long-range goals and short-range objectives. The objectives should be in the form of specific, quantified (where possible) targets for the next five years.

f. Recommended action strategy. The set of recommended actions to achieve the five-year objectives should be specific as to responsible agency, funding source, and targeted output.

g. Citizen participation. The process and products of citizen participation in preparation of the plan should be documented.

h. Displacement and other negative impacts. The plan should seek to minimize and/or mitigate its effect upon displacement and its other negative impacts upon the overall environment. It should include an adequate relocation assistance program.

The Task Force's approach to attaining our nation's housing goals is to involve many entities--federal, state and local governments, for-profit and non-profit housing developers, civic groups and individuals--in taking a series of concrete actions towards meeting these goals. To carry out such a complex mandate to a successful completion requires good planning.

Our call for planning should in no way be interpreted as a criticism of the excellent work and report of the National Housing Task Force, but as a logical conclusion and condition for implementing and achieving its recommendations.

We would be delighted to meet with you or your staff to further elaborate on what we feel are essential planning requirements to national housing legislation.

Sincerely,

Linda E. Hollis

Linda E. Hollis, AICP
Chair
National/State Policy Coordinating Committee

c: Robert Paternoster, Chair,
APA's Special Committee on National Housing Policy

METROPOLITAN DADE COUNTY, FLORIDA

METRO-DADE

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COMMENTS ON THE REPORT OF THE NATIONAL HOUSING TASK FORCE SUBMITTED BY METROPOLITAN DADE COUNTY, FLORIDA

Metropolitan Dade County is pleased to have this opportunity to submit comments regarding the report issued by the National Housing Task Force entitled, A Decent Place to Live. This privately funded and initiated task force dedicated an invaluable number of hours to undertake the very important task of re-examining America's housing policy. One merely has to look at the Task Force's composition and the many contributions made to it by individuals representing the public, private, and educational sectors of our nation to find the means of developing an answer to the challenge posed by the report. In order to provide livable and affordable housing for all Americans by the year 2000, a similar commitment will be required of all the diverse interests in this country to strategically implement the recommendations presented in this report.

The report paints a picture, with staggering national statistics, which illustrates the challenge faced by the country in designing a program that will ultimately deliver affordable housing to all households. Dade County provides a mirror image of the nation with facts that parallel those uncovered by the Task Force. According to our local housing data, 78,000 of our housing units are substandard, 45 percent of local households earn 80 percent or less of the median income, approximately 24,000 homeowners and an estimated 64,000 renters are low income and pay more than 30 percent of their income for housing.

DADE COUNTY'S HOUSING EFFORTS

For more than a year Dade County has been subject to reports by the Grand Jury, a lawsuit by the State Attorney, and a subsequent court order to repair and renovate its aging public housing stock. Dade County is unique in that it is one of the few local governments which operates public housing rather than through a separate authority, and our response to this local crisis is distinct. The County Manager appointed a management team headed by one of his assistants to reorganize the department, respond to those problems which were of an emergency nature, and submit a five year plan of action to the Court as ordered. Additionally, a task force composed of members from the private sector developed a report which was utilized as the foundation for the court ordered plan and an executive committee of this task force has formed an oversight committee which continues to monitor the County's progress.

Pursuant to the plan submitted to the Court, complete rehabilitation will cost $74 million. Thus far, the county has allocated $22.9 million of local funds to address these public housing needs. However, this falls far short of the $74 million that will be required.

Dade County's local financial response to resolving its problems in the public housing arena is important to note when reviewing the Task Force's recommendations. Simply stated, our response comes on the heels of an 80 percent decline in U.S. HUD's funds for new housing commitments over the past decade as documented in the report, and a lack of financial commitment to the needs of public housing by the State. Without the alliance and incentives described in the report, more local communities in the nation will be faced with restoring an aging and deteriorating public housing stock through the use of a tax base which is completely insufficient to address the problem. In local terms, the estimated $74 million required to rehabilitate Dade's local public housing stock is equal to approximately 1.5 mills in local property taxes.

To accomplish the recommendations in the report, the Task Force calls for an alliance to be established between the various levels of government, the private sector, and nonprofit and civic organizations. It challenges each participant to contribute resources, both cash and in-kind, in order to deliver the housing necessary to meet the needs of the nation. Dade County has and continues to meet this challenge in the following ways:

- In the mid 1970's, Dade County began its financial commitment to housing with a locally funded second mortgage program to make homeownership a reality for low-income home buyers.

- In 1985, as part of its State Legislative Package, the County worked diligently for the passage of legislation which allowed the County Commission to double the Documentary Stamp Tax on each commercial transaction to generate funds to provide homeownership and rehabilitation opportunities to low-income individuals. This program has raised approximately $45 million since its inception.

- Amended the above legislation to allow the program to issue first mortgages, rehabilitate rental housing, and assist public housing.

- Joined with the private sector in developing a local support system for Community Development Corporations who have been extremely successful in the housing delivery system. This includes the active involvement of the Local Initiatives Support Corporation, Greater Miami Neighborhoods which is affiliated with the Enterprise Foundation, and Greater Miami United to name a few.

- A consortium of six local lenders formed the nonprofit Homes for South Florida, and have pledged $20 million for conventional financing to supplement subsidized housing being built by local Community Development Corporations.

- The Knight Foundation, in cooperation with local attorney Martin Fine and our local Neighborhood Housing Services Corporation, are implementing a program for the creative use of benevolent lending in the development of very low income housing. The State legislature is reviewing bills which would make benevolent lending more attractive from a tax viewpoint.

PRIORITIES OF THE TASK FORCE

Although the Task Force set out ten specific recommendations, each with specific sub-categories, to accomplish the challenge of providing affordable housing for all Americans by the year 2000, it recognized that certain issues had to be addressed immediately while Congress analyzed the other, more complex sides of the housing delivery system. One issue took the form of a specific recommendation, that is, the establishment of a Housing Opportunity Program (HOP) at a cost of $3 billion annually. The other issues, albeit not in the form of specific recommendations, can be considered basic assumptions of the Task Force and were weaved throughout the report as necessary to meeting the challenge set out. We would like to address these issues first, followed by comments on the implementation of the HOP.

Continued Funding for Existing HUD Programs

The Task Force was explicit in its direction that the implementation and development of its recommendations did not include the elimination of funding for existing HUD programs. In fact, it specifically states on page 21 of the report that the development of the HOP would not replace the following programs: Section 202, housing for the elderly and handicapped; the Indian Housing Program; public housing; homeless funding; rural rental housing; FmHA low-income homeownership

programs; current subsidy commitments under Section 221(d)(3); and Section 236. Additionally, the Task Force states that it was necessary to continue the federal funding commitments for UDAG and Community Development Block Grants due to their important role in overall community revitalization.

The Congress must stabilize funding for the programs listed above in order to assure that progress is made towards accomplishing the goals stated by the Task Force. Although the report and its attendant recommendations will receive a great deal of attention by the Congress, they may take several years to implement. The Task Force recognized that their recommendations cannot be perceived as replacements for certain on-going federal programs which must continue to receive funding so that the nation does not fall further behind in its goals.

Another important program which Congress must address immediately is the sunset of the Mortgage Revenue Bond Program this year. This program which allows State and local Housing Finance Authorities to issue tax exempt bonds to provide mortgage financing at lower interest rates for first-time home buyers has been an extremely successful tool in the housing delivery system. To allow this program to sunset would result in yet another viable program which addresses the housing needs of individuals to become a tool of the past. There are currently bills in both the House and Senate which provide for an extension of this program through 1992.

HOUSING OPPORTUNITY PROGRAM (HOP)

The first recommendation in the report is the creation of a "Housing Opportunity Program" designed to stimulate state and local initiatives to develop, renovate, and conserve low-income housing. It is envisioned as a two tier program providing a total of $3 billion annually with 50 percent to States and 50 percent to local governments allocated according to a needs-based formula. Dade County supports the creation of such a program and offers the following recommendations:

1. States who utilize local funding commitments as part of their 50 percent matching requirement should provide the opportunity to those local communities to benefit from the State share of funds. Florida has trailed local governments in

its commitment of State revenues to support low income housing. Local communities such as Dade County have utilized local resources to address many local housing concerns. If the State is permitted to utilize these local efforts in meeting the matching requirements, they should similarly be required to leverage their dollars in these communities as well as requiring other local communities to make similar efforts in raising local revenues.

2. The definition of "new sources" of funding to provide the match for the HOP should include consideration for those sources already implemented prior to passage of the legislation. In other words, communities such as Dade County who have taken a leadership role in developing creative revenue sources for low-income housing should not be penalized for their initiative.

3. We agree that maximum flexibility is needed in both the State and local programs with special attention paid to burdensome regulations created by any level of government. However, the review of mandates should also include those federal regulations that are placed on states and local governments.

4. The formula for allocating funds to local governments proposed in the report that takes into account such factors as population, vacancy rates, poverty, growth in housing demand and incidence of housing distress is basically sound. However, we would caution the committee in the use of "age of housing" as a factor since that may penalize "Sunbelt" States. An additional factor which might be considered is the local effort, i.e. resources, directed towards housing.

5. The requirements that ten percent of the local allocation be set aside for use by community based organizations and 25 percent be set aside for public housing are reasonable. However, we would suggest that the allocation made to the States also meet the same set-aside requirements particularly since States have not proven overly responsive to those types of needs.

6. Finally, we recommend that consideration be given to providing incentives to state and local

governments to establish mechanisms which provide for wholistic approaches to developing affordable housing for low-income individuals. This mechanism would consider all available resources, including the HOP funds, and determine or advise providers on the best way to package funding strategies. This concept is similar to the Task Force's recommendation to establish a Housing Corporation of America that would address similar issues nationally.

OTHER TASK FORCE RECOMMENDATIONS

The Task Force made numerous recommendations which covered areas such as new sources of capital for low-income housing; tax policy; existing low-income housing stock; homeownership; housing finance; fair housing; and rural housing. Dade County supports the overall direction with regard to each of these areas as stated in the report. We would, therefore, like to provide the committee with some ideas and concepts which we believe should be explored and considered during its deliberations.

1. Public/Subsidized Low-Income Housing

A. The preservation of existing public and low-income housing stock, through modernization or rehabilitation, is extremely important to stabilizing housing opportunities for individuals whose income does not permit other alternatives. However, this goal cannot overlook the possible obsolescence of some housing. The costs of modernization/rehabilitation compared with the extension of useful life of the units may not justify the expenditure. In those cases, replacement units must be made available. The decision between modernization/rehabilitation versus the cost of new housing must be intelligently made. A policy, which directs that an effort be made to rehabilitate any existing public or low-income housing stock, would not be advantageous.

B. The Federal Budget must include adequate funds for the modernization, replacement of obsolete units, and the operation of public housing, if it is to continue at its present levels. Modernization and replacement are directly affected by adequate routine and preventative maintenance. Operating funds which do not provide for consistent maintenance result in higher and more frequent

modernization costs. Under a court order, Dade County has been forced to allocate more than $22 million in local funds for public housing. It is anticipated that our local operating revenues may fall four to six million dollars short of the amounts necessary to properly manage the county's 12,000 public housing units. This significant shortfall in operating funds is yet another indicator of the inadequate funding by the Federal government for the local operation of public housing.

C. It is critical that existing subsidies such as Section 8 continue. Providing incentives for the private sector to continue their involvement in the development and operation of low-income housing is essential. Rent subsidies and mortgage insurance, thus far, have been the most direct and effective way of encouraging private participation. However, the Task Force report suggests that these private owners not be permitted to pre-pay mortgages and leave certain income programs which they voluntarily participated in. We suggest that the Federal government provide incentives to these existing owners which makes their continued participation worthwhile, since voluntary participation is always preferable to enforced participation by private sector owners.

D. The sale of public housing units to appropriate non-profit organizations should be encouraged, however, requirements that those units remain low income with continued subsidies must be required. Local communities need the ability to decide whether or not they are capable of managing the number of units which they hold. The flexibility to remove certain units from public housing stock while maintaining their available status as low income housing may play a critical role to the future of the housing delivery system.

2. Housing Finance

A. The Task Force's recommendations, specifically II, V, VII, and VIII, address possibilities for improving housing finance capabilities. Many of the proposed strategies directly involve federal tax policy. Since implementation of these recommendations directly involve both the Senate Committee on Banking, Housing and Urban Affairs,

as well as the Senate Finance Committee, we suggest that representatives and staff from both these committees hold joint hearings and develop the proposed financial structure for an improved housing finance system cooperatively. By establishing agreement early in the program's development delays in future passage may be prevented.

B. State and local government's should be encouraged to utilize all finance tools available to them in developing housing alternatives. Comprehensive reviews are critical to innovative housing solutions. These reviews should consider both public and private resources as well as the appropriate financial mechanisms available to achieve maximum leverage of those funds.

C. Although the Task Force did not include the creation of a secondary market specifically for low income housing, we suggest that the Committee may want to evaluate that possibility. The success of GNMA, Fannie Mae and Freddie Mac, in enhancing the investment in moderate income properties is well known. If the recommendations regarding the expansion of FHA and VA are implemented the necessary incentives may be in place to make these low interest, high risk loans marketable. Additionally, tax incentives to the purchasers of these securities can be provided to make these mortgages more attractive to the investor.

3. Fair Housing

A. We strongly support the Task Force's recommendations involving Fair Housing. Dade County was the first government in the South to enact a Fair Housing Ordinance, and create a board to enforce the ordinance. However, some States have been reluctant to implement similar fair housing laws and provide funding for enforcement. We suggest that States be required to demonstrate their involvement in assuring fair housing practices as a condition to receiving HOP funds.

We hope that our comments will be helpful to you as you approach the development of a new national housing policy. Our staff is anxious and willing to provide whatever assistance you may require as you undertake this major endeavor. Thank you once again for this opportunity.

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